

A THOUGHTFUL GIFT FOR PEOPLE WHO THINK.

Give The Economist and save
up to 73% off the cover price.

ORDER YOUR HOLIDAY GIFTS TODAY.

A **BEST VALUE!**
PRINT + DIGITAL
\$109 51 ISSUES



B **PRINT ONLY**
\$99 51 ISSUES



C **DIGITAL ONLY**
\$99 51 ISSUES



PAYMENT METHOD:

- ☐ Check enclosed \$ _____
(Make check payable to The Economist)
- ☐ Bill me. Charge My: ☐ Visa ☐ MasterCard ☐ Amex ☐ Discover

Card No. _____ Exp. Date. _____

Signature _____

Email _____ (Email address is for subscription correspondence only)

SELECT FIRST GIFT SUBSCRIPTION OPTION:

BEST VALUE!

- A** ☐ **PRINT + DIGITAL (H)** **B** ☐ **PRINT ONLY (D)** **C** ☐ **DIGITAL ONLY (J)**

NAME (PLEASE PRINT) _____

ADDRESS _____

CITY _____ STATE _____ ZIP CODE _____

SELECT SECOND GIFT SUBSCRIPTION OPTION:

BEST VALUE!

- A** ☐ **PRINT + DIGITAL (H)** **B** ☐ **PRINT ONLY (D)** **C** ☐ **DIGITAL ONLY (J)**

NAME (PLEASE PRINT) _____

ADDRESS _____

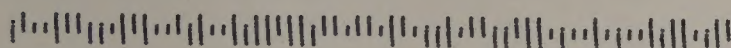
CITY _____ STATE _____ ZIP CODE _____

SPECIAL BONUS:

LEATHER
TRAVEL WALLET



See back for details.



0003 0038 986 07769
MS BRENDA BRYANT
FLAT 3
8425 M MCNICHOLS RD
DETROIT MI 48221-2546

THESE ARE THE ISSUES SHAPING THE GLOBAL CONVERSATION.



Every week, *The Economist* provides insight and understanding into the relationships that shape our world: politics, finance, technology, arts, culture and much more. Award-winning journalism that informs a thoughtful perspective.

- News and analysis from every continent.
- Insights, perspectives and commentary on a daily and weekly basis.



NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

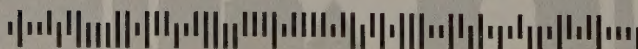
BUSINESS REPLY MAIL

FIRST-CLASS MAIL PERMIT NO. 700 SAINT LOUIS, MO

POSTAGE WILL BE PAID BY ADDRESSEE

**The
Economist**

SUBSCRIPTION DEPARTMENT
PO BOX 46971
ST. LOUIS, MO 63146-9751



INSIDE THIS WEEK: INTELLIGENT LIFE

The Economist

DECEMBER 14TH-20TH 2013

Economist.com

Will Modi save or wreck India?

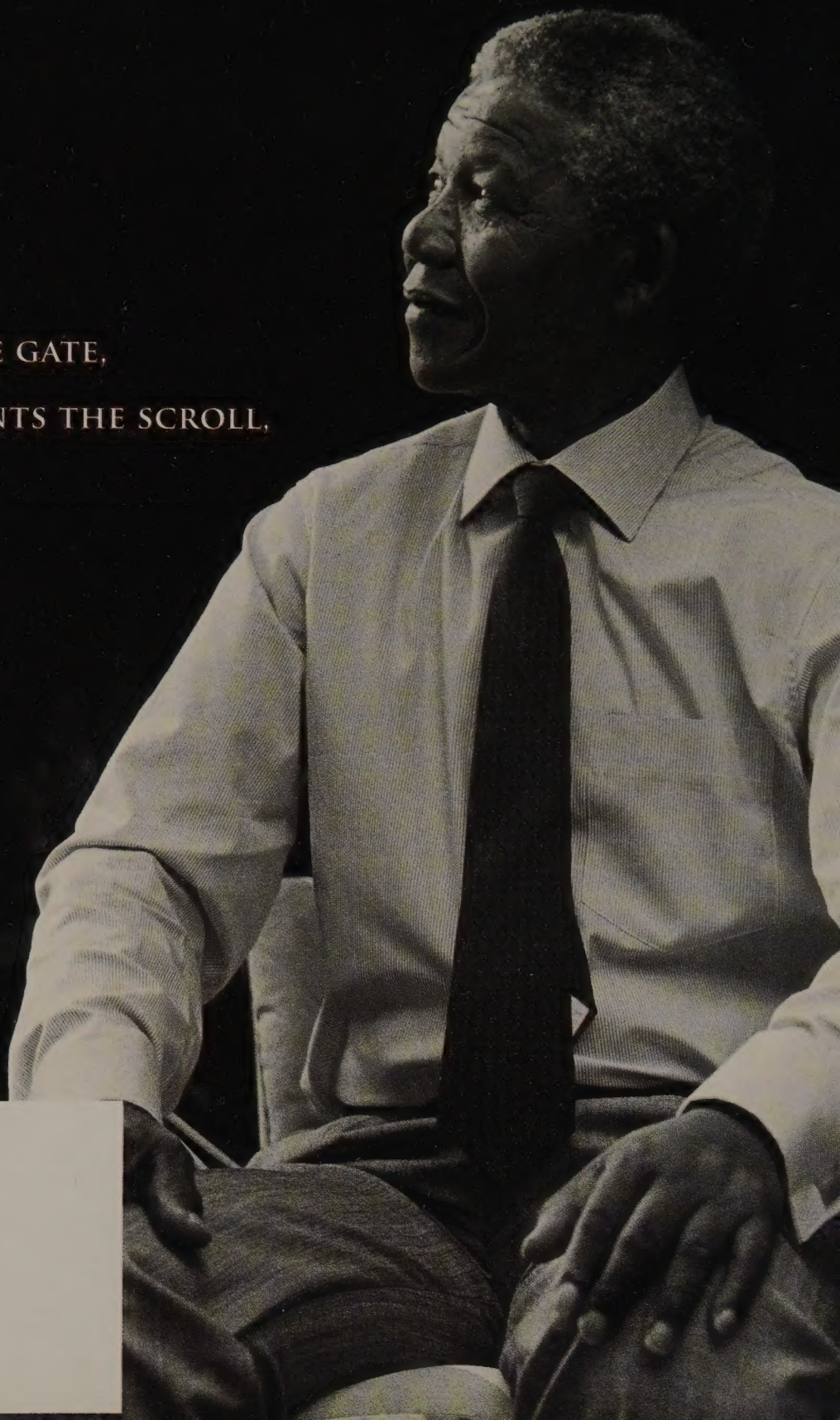
Crackdown in Ukraine

America's political marriage gap

Why the Volcker rule is wrong

Eat your greens for healthy sperm

IT MATTERS NOT HOW STRAIT THE GATE,
HOW CHARGED WITH PUNISHMENTS THE SCROLL,
I AM THE MASTER OF MY FATE:
I AM THE CAPTAIN OF MY SOUL





OYSTER PERPETUAL YACHT-MASTER II



ROLEX

Breathing new life into luxury. The K900.



Over time, we've been led to believe that luxury is synonymous with legacy and heritage. While we respect the past, we're more focused on the future—one that's innovative and progressive. We believe that luxury should not be defined by where it came from, but rather what it is. A luxury sedan is made from the finest materials available and comes equipped with the most advanced onboard technology. It is the perfect combination of power and performance, designed to instill a sense of exhilaration and confidence. While some may still be convinced that history is what makes a luxury sedan, we invite you to come to your own conclusion. Introducing the K900, from Kia. It challenges everything.™ Experience it for yourself at kia.com/K900.

2015 K900 expected Spring 2014. Initially only available in select markets with limited availability. 2015 K900 V8 prototype shown with optional features. Not all features are available on all trim levels.



Microsoft
Dynamics



Business
Banking



Retail
Banking



Customer
Care



Make Happy

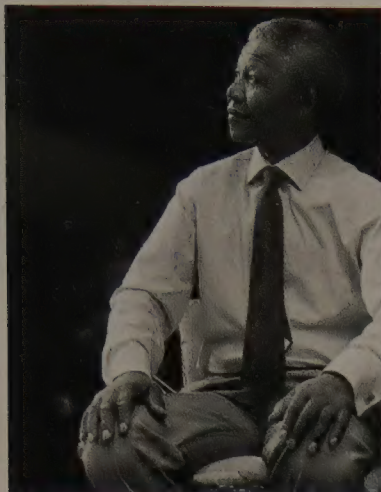
Connected teams, one unified CRM, revolutionary banking.

To deliver a more personal banking experience that's turning customers into fans, Metro Bank chose Microsoft Dynamics CRM, which integrated perfectly with their existing systems, including Windows 8, Office 365, Lync, and Yammer. With a seamless, unified customer view, all of Metro Bank's people are empowered to consistently deliver unparalleled levels of service and convenience every time they interact with a customer. Microsoft Dynamics: one integrated CRM that unites your people to do one simple thing – make happy.

Test drive Microsoft Dynamics now at microsoft.com/crmtestdrive



Microsoft
Dynamics



On the cover

The greatness of Nelson Mandela challenges everybody—but especially his heirs: leader, page 15. The man who freed South Africa from apartheid died on December 5th, aged 95: Obituary, page 100

The Economist online

Daily analysis and opinion from our 21 blogs, plus audio and video content, debates and a daily chart Economist.com/blogs

E-mail: newsletters and mobile edition Economist.com/email

Print edition: available online by 7pm London time each Thursday Economist.com/print

Audio edition: available online to download each Friday Economist.com/audioedition

The Economist

Volume 409 Number 8866

Published since September 1843 to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

Editorial offices in London and also: Atlanta, Beijing, Berlin, Brussels, Cairo, Chicago, Hong Kong, Johannesburg, Los Angeles, Mexico City, Moscow, New Delhi, New York, Paris, San Francisco, São Paulo, Singapore, Tokyo, Washington DC

11 The world this week

Leaders

- 15 Nelson Mandela
Invictus
- 16 India
Would Narendra Modi save India or wreck it?
- 17 Crackdown in Ukraine
Goodbye, Putin
- 17 World trade
Life after Doha
- 18 Minimum wages
The logical floor
- 21 The Volcker rule
Hedge-trimming

Letters

- 24 On India, Thailand, Iran, China, Napoleon, motorcycles, brains

Briefing

- 31 Narendra Modi
His time is coming

United States

- 35 The budget deal
Making nice
- 36 The politics of low pay
Raising the floor
- 38 Pragmatic Kentucky
Red state, blue ideas
- 40 Health reform
Faint signs of recovery
- 40 Christmas music
Dreaming of a hip-hop Christmas
- 41 Voter ID in Texas
How it really works
- 41 Satanism in Oklahoma
Beelzebubba
- 42 Lexington
The marriage gap

The Americas

- 43 Venezuela's municipal elections
Maduro's hollow victory
- 44 Reforms in Mexico
Oil's well that ends well
- 44 Democracy in Colombia
The bumptious functionary
- 45 EU-Mercosur trade talks
Strategic patience runs out

Asia

- 47 Thailand's political crisis
Deadlock
- 48 A Singapore riot
Trouble in Little India
- 48 Japan's secrecy law
Potent protests
- 49 Indian politics
Sweeping up
- 52 Banyan
Crying uncle in North Korea

China

- 53 Genetically modified crops
Food fight
- 54 Success at football
Keepy uppy
- 54 Foreign correspondents
Personae non gratae

Middle East and Africa

- 55 South Africa after Mandela
A question of leadership
- 56 Bahrain
Trouble ahead
- 58 Syria's war
An inconvenient truth
- 58 The Dead Sea
Emptying out

Europe

- 59 Ukraine's protests
The battle for Maidan
- 60 Liberalism in Germany
Dead or just resting?
- 60 Turkish politics
Erdogan v Gulen
- 61 Italian politics
Heading off the populists
- 62 Charlemagne
Banking on a new union

Britain

- 64 Immigration
The Polish paradox
- 65 A military U-turn
No go, GOCO
- 66 Bagehot
Ed Balls's wrong tune



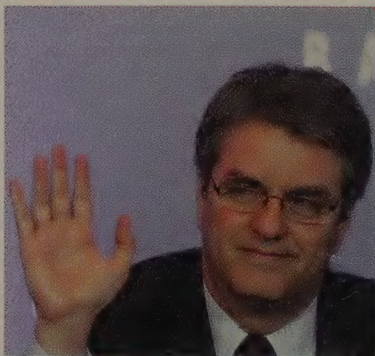
India Muslims have reason to fear Narendra Modi. He should reach out to them: leader, page 16. A populist with a nasty past and a decent economic record wants to run India, pages 31-33. Walmart, Carrefour and Tesco have been knocking on India's door, without much luck. The journey of an onion from field to pot shows why they are needed, page 73



America's marriage gap Republicans should worry that unmarried women shun them: Lexington, page 42



Ukraine Viktor Yanukovich has made his choice. His country has chosen otherwise: leader, page 17. The battle on the streets of Kiev, page 59



Trade deal Even a small global agreement is welcome. But a fresh approach is now needed: leader, page 17. Global trade talks yield a deal for the first time in almost 20 years, page 78. EU-Mercosur talks revive, page 45



The Volcker rule A new regulation that aims to pare risks in the financial system is likely to have the opposite effect: leader, page 21. A new push to make America's banks safer, page 77



Sperm Men who want healthy sperm should eat their greens, page 85

International

- 67 **Dirty bombs**
Glowing in the dark
- 68 **Disability**
Who counts?

Business

- 69 **Comcast's future**
Thinking outside the set-top box
- 70 **Companies and emissions**
Carbon copy
- 71 **British lawyers in Dubai**
Money for old laws
- 71 **American Christmas trees**
Boughs of jolly
- 72 **Restructuring European aerospace**
Enders justifying means
- 72 **GM's new boss**
Detroit's first lady
- 73 **India's onion market**
Lords of the rings
- 74 **American food distribution**
Meal deal
- 76 **Schumpeter**
Ties that bind talent

Finance and economics

- 77 **The Volcker rule**
More questions than answers
- 78 **The World Trade Organisation**
Unaccustomed victory
- 79 **The Australian dollar**
Buoyant
- 79 **Oil prices**
Spreading disarray
- 80 **Corporate entertaining in Japan**
Kanpai!
- 80 **Voting rights at the ECB**
New club rules

- 82 **Private banking in Switzerland**
Dis-closure
- 83 **Free exchange**
Randomised control trials

Science and technology

- 85 **Epigenetics and sperm**
Poisoned inheritance
- 86 **The history of life**
A warm little pond?
- 86 **Scientific publication**
What's wrong with Science
- 87 **Sharks and humans**
He's behind you!
- 87 **Geomorphology**
Gopher broke

Books and arts

- 88 **A history of Israel**
Song to Zion
- 89 **Pre-Christian Britain**
More questions than answers
- 89 **Business takeovers**
Mad merger men
- 90 **Selling fine art**
Purse of the beholder
- 90 **René Redzepi's food**
Carrots and sticks
- 91 **Renaissance painting**
The greatest

Economic and financial indicators

- Statistics on 42 economies, plus a closer look at employment

Obituary

- 100 **Nelson Mandela**
A hero, not a saint



Next week

We publish our holiday double issue, with a special report on museums and articles on the worst Chinese diplomat ever, bow-hunting in America, upward mobility in Tanzania, bleak chic in France, how hotels took over the world and much more

Principal commercial offices:

25 St James's Street, London SW1A 1HG
Tel: 020 7830 7000

Rue de l'Athénée 32
1206 Geneva, Switzerland
Tel: 41 22 566 2470

750 3rd Avenue, 5th Floor, New York, NY 10017
Tel: 1 212 541 0500

60/F Central Plaza
18 Harbour Road, Wanchai, Hong Kong
Tel: 852 2585 3888

Other commercial offices:

Chicago, Dubai, Frankfurt, Los Angeles, Paris, San Francisco and Singapore

Subscription service

For our latest subscription offers, visit Economist.com/offers

For subscription service, please contact by telephone, fax, web or mail at the details provided below:

Telephone: 1 800 456 6086 (from outside the US and Canada, 1 636 449 5702)

Facsimile: 1 866 856 8075 (from outside the US and Canada, 1 636 449 5703)

Web: Economistsubs.com

E-mail: customerhelp@economist.com

Post: The Economist Subscription Services, P.O. Box 46978, St. Louis, MO 63146-6978, USA

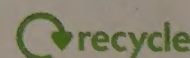
Subscription for 1 year (51 issues)

United States	US\$160
Canada	CN\$165
Latin America	US\$338



PEFC certified

This copy of *The Economist* is printed on paper sourced from sustainably managed forests certified by PEFC www.pefc.org





BIG OIL

SHOULD SUPPORT

SMALL BUSINESS.



Human Energy

Every day, Chevron relies on small businesses around the world.
Electricians. Mechanics. Manufacturers.
We spent billions on local goods and services last year.
And helped thousands of entrepreneurs get ahead with microloans.
We're helping small businesses thrive.
Because we need them.
Just as much as they need us.
Learn more at chevron.com/weagree

WE AGREE.

Steve Tomkovicz
Steve Tomkovicz
President
S&S Supplies and Solutions

Maria Lindenberg
Maria Lindenberg
Chief Procurement Officer
Chevron

CHEVRON, the CHEVRON logo, HUMAN ENERGY, and the word ENERGY are registered trademarks of Chevron. All other trademarks are the property of their respective owners. © 2010 Chevron U.S.A. Inc. All rights reserved.

Best Private Bank 2013
Best Private Bank 2012
Best Private Bank 2011
Best Private Bank 2010
Best Private Bank 2009

— Financial Times Group

Some ads write themselves.

For the fifth consecutive year, the Financial Times Group has recognized Northern Trust for being the Best Private Bank in the U.S. We're also honored to have been voted Best Private Bank for Innovation again. It's what happens when you have financial strength, always put clients first, and utilize award-winning technology to stay ahead of the pack. To experience our award-winning expertise, call 866-803-5857 or visit us at northerntrust.com/best.



Northern Trust

Wealth & Investment Management | Trust & Estate Services | Private Banking | Family Office Services

Member FDIC. © 2013 Northern Trust Corporation. 2013 Global Private Banking Awards presented by Professional Wealth Management and The Banker.

Politics



Nelson Mandela, South Africa's first post-apartheid president, died on December 5th at the age of 95. Leaders from around the world attended a memorial service at a football stadium in Soweto. In a speech Barack Obama called Mr Mandela "a giant of history", who "reminds us that it always seems impossible until it is done". The body of Mr Mandela was taken to lie in state in Pretoria, South Africa's capital, before his funeral and burial at Qunu, his home village, on December 15th.

At the service Mr Obama **shook hands** with Raúl Castro, Cuba's president. Some described it as a Mandela-like symbol of reconciliation; others as mere politeness. A Florida Republican called it "a propaganda coup for the tyrant". The White House insisted it had not been planned.

Two French soldiers were killed during a skirmish in the **Central African Republic**. They were part of an international peacekeeping mission sent to stop civil war. François Hollande, the French president, has defended the deployment of French troops, saying that it was necessary to "avoid carnage".

America and Britain suspended "non-lethal" military aid to **Syrian** rebels in the north of the country after Islamist extremists seized crossings on the border with Turkey.

A **Libyan** tribal militia that has blocked 80% of the country's oil shipments for the past three months promised that exports would resume shortly.

Learning to get along

Negotiators in Congress, led by Patty Murray for the Democrats and Paul Ryan for the Republicans, crafted a compromise two-year **budget deal** of modest deficit cuts and spending rises that averts another government shutdown. The deal is funded in part by raising government fees on airlines (the tricky parlance of the budget talks avoided the word "tax") and reducing some payments to providers of Medicare treatment.

The approval rating for **Congress** averaged 14% in 2013, according to Gallup, the lowest annual average in the polling organisation's history.

Hauled away



North Korea's state news agency confirmed that the once-powerful uncle of the country's young dictator, Kim Jong Un, has been dismissed. North Korean media broadcast images of Jang Sung Taek being removed from a party meeting by uniformed guards. The agency accused Mr Jang of forming "factions" against the state, corruption and "depraved" acts.

India's Supreme Court unexpectedly upheld a law dating back to 1860 that criminalises gay sex, reversing an order in 2009 by a lower court in Delhi that had legalised homosexual acts. The Supreme Court said it was for parliament to legislate on the matter, which is unlikely before next year's election. Human-rights campaigners were dismayed.

Australia's highest court overturned a local law allowing gay marriage in Canberra, the capital, because it conflicts with federal legislation. The

ruling nullifies the 27 same-sex weddings that were held in the few days that they were legal.

The Supreme Court in **Bangladesh** upheld the death sentence for Abdul Quader Mollah, a leading member of **Bangladesh's** biggest Islamic party, for crimes against humanity committed during the war of secession from Pakistan in 1971. He had been sentenced to life in prison, but a populist backlash ensued and the court ruled that he should be executed. Many believe the trials of Mr Mollah and other Islamists are politically motivated.

The head of a prominent Muslim seminary in **Pakistan** proclaimed that polio vaccinations are not un-Islamic and urged Pakistanis to immunise their children. Some Islamist groups oppose the vaccinations, accusing health workers of being part of a Western plot somehow to sterilise Muslims.

Fraying tempers

Riot police violently tried to clear pro-Western protesters from Independence Square in Kiev, the capital of **Ukraine**. The police were eventually forced to withdraw and protesters rebuilt barricades that had been demolished by chainsaws and bulldozers. America severely criticised the police action. The interior minister said that the square will not be stormed again.

Italy's centre-left Democrats elected a new leader. Matteo Renzi, the reformist mayor of Florence, won by a landslide. To lead the party he brought in seven women and five men with an average age of 35, marking a generational shift for Italian politics that will shake up Enrico Letta's fragile governing coalition.

Vladimir Putin, **Russia's** president, dissolved RIA Novosti, the state-owned news agency, and Voice of Russia, an international radio station, in a move reminiscent of the Soviet era. Both had been (relative) liberal beacons in Russia's uninspiring media scene. A new broadcaster is to be

launched called Russia Today, fronted by an anti-Western and homophobic presenter.

A slow burner

Mexico's Senate approved a far-reaching energy reform, dismantling the state's monopoly over oil and gas dating back 75 years and offering licences and production-sharing to private companies. The left-wing opposition wants the reform to be put to a referendum in 2015.



After a one-sided campaign **Venezuela's** ruling socialist party and its allies won almost 50% of the vote in municipal elections. The opposition got 44%, dashing its hopes of turning the vote into a plebiscite on the erratic and increasingly totalitarian rule of President Nicolás Maduro.

Strikes by police spread to 14 of **Argentina's** 23 provinces, prompting looting and riots in which 12 people have died. The government has sent federal forces to some provinces.

Colombia's inspector-general, a functionary charged with penalising maladministration, ordered the dismissal of Bogotá's left-wing mayor, Gustavo Petro, over a botched attempt last year to change rubbish-collection contracts. The decision was widely condemned, even by foes of Mr Petro, as politically motivated and arbitrary.

Uruguay's Senate approved a bill to legalise and regulate the cultivation and sale of **marijuana**. The country's president, José Mujica, has said he will sign the measure into law, meaning that Uruguay will become the first country to legalise the drug.

Business

The **World Trade Organisation** concluded the first global trade deal in its 19-year existence. The Doha round of talks has lasted a decade, and had been left for dead on at least two occasions. The agreement, signed in Bali by all the WTO's 159 members, is limited in scope, simplifying customs red-tape rather than tackling the far thornier problems of agricultural subsidies and intellectual property. Still, it could add \$400 billion a year to global output and puts the wind in the sails of the WTO's new director-general, Roberto Azevêdo.

Beast of a burden

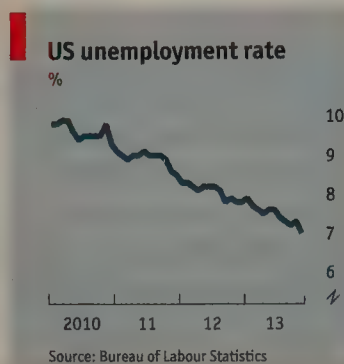
After three years of discussions, amendments and infighting, five financial regulatory agencies in America approved the **Volcker rule**. The measure derives from the Dodd-Frank reforms and bans risky-but-lucrative practices that deposit-taking banks engage in, such as trading with their own money rather than that of their clients (known as proprietary trading). At 1,000 pages the Volcker rule is complex and ambiguous, and is likely to be challenged in the courts.

EADS, Europe's biggest aerospace company, said it would shed 5,800 jobs over the next three years in its defence and space divisions, partly because of reduced defence spending by European governments. The company is restructuring its business around its successful Airbus commercial-aircraft division.

General Motors appointed Mary Barra as chief executive, its fifth in five years. Ms Barra, currently head of product development, worked her way up the company from a job in engineering that she started at 18. She is the first woman to run one of Detroit's Big Three carmakers. Meanwhile, the Treasury Department announced that it had sold its remaining shares in GM, bringing an end to its 2009 bail-out.

The Treasury recouped \$39 billion of the \$49.5 billion bail-out money.

Sysco, America's largest distributor of food, agreed to buy **US Foods**, a smaller rival, in a deal valued at \$8.2 billion including debt. Many hospitals, hotels, schools and the armed forces rely on both companies to supply them.



The **unemployment rate** in America fell to 7% in November, the lowest since November 2008. But the labour-force participation rate was only slightly up from October's 35-year low. The Federal Reserve will mull the data over before its meeting next week, when it will consider whether or not to start tapering its asset-buying programme.

It emerged that **Stanley Fischer** is being considered for appointment as Janet Yellen's

deputy when she takes up the reins as Federal Reserve chairwoman. Mr Fischer is a respected economist and former governor of the Bank of Israel, and was seen as a contender for the top job earlier this year.

America's **consumption of oil** rose in November to the highest level in five years, according to the International Energy Agency. Consequently, the IEA slightly raised its estimate of global oil demand next year, to 92.4m barrels a day.

China's steelmakers imported a record 77.8m tonnes of **iron ore** last month, as they continued to replenish their depleted stocks, pushing the price of the commodity to a four-month high. Other data also suggested that growth in the **Chinese economy** may be speeding ahead: retail sales in November expanded by 13.7%.

Is anyone listening?

America's biggest tech companies, including Apple, Google, Facebook, Microsoft and Twitter, issued a statement calling for reforms to **data sweeping** by intelligence agencies, such as "sensible limitations" on compelling service providers to disclose users' data. The letter was not signed by any of the telecoms firms that have

faced criticism for sharing customer information with intelligence agencies.

Axel Springer, one of Germany's biggest media companies, agreed to buy N24, a TV-and-digital news provider, which it will integrate with its *Die Welt* newspaper.

Canada Post announced plans to phase out door-to-door deliveries completely because of the "historic decline in letter mail volumes". Canada is the first G7 country to end a standard post service. Two-thirds of Canadians receive mail through communal boxes and pick-up points. Meanwhile, Germany's Deutsche Post conducted its first tests of deliveries by **drone**.

Sheer cheek

Chip Wilson decided to step down as chairman of **Lululemon**, the high-end yogawear company that he founded. Mr Wilson provoked outrage last month by suggesting that an ongoing problem with leggings that are too sheer might be because "some women's bodies just actually don't work" in Lululemon's snug clothing.

Other economic data and news can be found on pages 98-99



ALL THE MOST DOMINANT SPECIES START OUT IN THE WILDERNESS

There's no denying Land Rover's mastery over the wilds, but add a 510-hp supercharged V8 and even the streets will have to submit. The all-new Range Rover Sport handles the most uncooperative roads with a lighter, more athletic aluminum frame. It boasts a bold profile and cutting-edge features like Terrain Response® 2* which adapts to conditions whether on the asphalt or off.

THE ALL-NEW RANGE ROVER SPORT | LandRoverUSA.com



ABOVE AND BEYOND



*These systems are not a substitute for driving safely with due care and attention and will not function under all circumstances, speeds, weather and road conditions, etc. Driver should not assume that these systems will correct errors in judgment in driving. Please consult the owner's manual or your local authorized Land Rover Retailer for more details. ©2011 Jaguar Land Rover North America, LLC

THE NEXT

BIG

THING

IS HERE™

Samsung GALAXY Note 3 + Gear

© 2013 Samsung Telecommunications America, LLC. Samsung, Galaxy Note, Galaxy Gear and The Next Big Thing Is Here are all trademarks of Samsung Electronics Co., Ltd. Screen images simulated. Samsung and its products are not affiliated with or endorsed by any third party whose product appears in this photo. Galaxy Gear is an optional accessory device for the Samsung Note 3, sold separately.

SAMSUNG

Invictus

The greatness of Nelson Mandela challenges everybody—but especially his heirs



AMONG Nelson Mandela's many achievements, two stand out. First, he was the world's most inspiring example of fortitude, magnanimity and dignity in the face of oppression, serving more than 27 years in prison for his belief that all men and women are created equal. During the bleak years of his imprisonment on Robben Island, thanks to his own patience, humour and capacity for forgiveness, he seemed freer behind bars than the men who kept him there, locked up as they were in their own self-demeaning prejudices. Indeed, his warders were among those who came to admire him most.

Second, and little short of miraculous, was the way in which he engineered and oversaw South Africa's transformation from a byword for nastiness and narrowness into, at least in intent, a rainbow nation in which people, no matter what their colour, were entitled to be treated with respect.

Exorcising the curse of colour

As a politician, and as a man, Mr Mandela had his contradictions (see pages 100-102). He was neither a genius nor, as he often said himself, a saint. Some of his early writings, though infused with justifiable anger, were banal Marxist ramblings. But his charisma was evident from his youth. He was a born leader who feared nobody, debased himself before no one and never lost his sense of humour. He was handsome and comfortable in his own skin. In a country in which the myth of racial superiority was enshrined in law, he never doubted his right, and that of all his compatriots, to equal treatment.

No less remarkably, once the majority of citizens were able to have their say he never denied the right of his white compatriots to equality. For all the humiliation he suffered at the hands of white racists before he was released in 1990, he was never animated by a desire for revenge. He was himself utterly without prejudice, which is why he became a symbol of tolerance and justice across the globe.

Perhaps even more important for the future of his country was his ability to think deeply, and to change his mind. When he was set free, many of his fellow members of the African National Congress (ANC) remained disciples of the dogma promoted by their party's supporter, the Soviet Union, whose implosion shifted the global balance of power and thus contributed to apartheid's demise. Many of his ANC comrades were members of the South African Communist Party who hoped to dismember the capitalist economy and bring its mines and factories into public ownership. Nor was the ANC convinced that a Westminster-style parliamentary democracy—with all the checks and balances of bourgeois institutions such as an independent judiciary—was worth preserving, perverted as it had been under apartheid.

Mr Mandela had himself harboured such doubts. But immediately before and after his release from prison, he sought out a variety of opinions from those who, unlike himself, had been fortunate enough to roam the world and compare com-

peting systems. He listened and pondered—and decided that it would be better for all his people, especially the poor black majority, if South Africa's existing economic model were drastically altered but not destroyed, and if a liberal democracy, with a universal franchise were established.

That South Africa did, in the end, move with relatively little bloodshed to become a multiracial free-market democracy was indeed a near-miracle for which the whole world must thank him. The country he leaves behind is a far better custodian of human dignity than the one whose first democratically elected president he became in 1994. A self-confident black middle class is emerging. Democracy is well-entrenched, with regular elections, a vibrant press, generally decent courts and strong institutions. And South Africa still has sub-Saharan Africa's biggest and most sophisticated economy.

But since Mr Mandela left the presidency in 1999 his beloved country has disappointed under two flawed leaders, Thabo Mbeki and now Jacob Zuma. While the rest of Africa's economy has perked up, South Africa's has stumbled. Nigeria's swelling GDP is closing in on South Africa's. Corruption and patronage within the ANC have become increasingly flagrant. An authoritarian and populist tendency in ruling circles has become more strident. The racial animosity that Mr Mandela so abhorred is infecting public discourse. The gap between rich and poor has remained stubbornly wide. Barely two-fifths of working-age people have jobs. Only 70% of those who take the basic high-school graduation exam pass it. Shockingly for a country so rich in resources, nearly a third of its people still live on less than \$2 a day.

Without the protection of Mr Mandela's saintly aura, the ANC will be more harshly judged. Thanks to its corruption and inefficiency, it already faces competition in some parts of the country from the white-led Democratic Alliance. South Africa would gain if the ANC split, so there were two big black-led parties, one composed of communists and union leaders, the other more liberal and market-friendly.

Man of Africa, hero of the world

The ANC's failings are not Mr Mandela's fault. Perhaps he could have been more vociferous in speaking out against Mr Mbeki's lethal misguidedness on the subject of HIV/AIDS, which cost thousands of lives. Perhaps he should have spoken up more robustly against the corruption around Mr Zuma. In foreign affairs he was too loyal to past friends, such as Fidel Castro. He should have been franker in condemning Robert Mugabe for his ruination of Zimbabwe.

But such shortcomings—and South Africa's failings since his retirement from active politics—pale into insignificance when set against the magnitude of his overall achievement. It is hard to think of anyone else in the world in recent times with whom every single person, in every corner of the Earth, can somehow identify. He was, quite simply, a wonderful man. ■

Mr Mandela died just after we went to press last week, so we published a version of this leader in our digital editions shortly afterwards. Our apologies to readers who have read it already.

India

Would Modi save India or wreck it?

India's Muslims have reason to fear Narendra Modi. He should reach out to them.



EVEN five years ago it would have been inconceivable; but, with a general election due by next May, Narendra Modi is the front-runner to become India's next prime minister. The long-serving chief minister of Gujarat has always had a core of

passionate supporters for his mix of economic efficiency and hardline Hindu nationalism, and because he gets things done, an increasing number of voters see him as the saviour of India's struggling economy (see page 31). But Indian politics has no more divisive figure. A terrible blot hangs over his reputation since an orgy of violence in his state in 2002 left over 1,000 dead, most of them Muslims. Do his qualities outweigh that huge stain?

Modi madness

If Mr Modi looks like the country's leader-in-waiting, that is a measure of the state of the ruling party. Congress has been in power since 2004 and long ago lost its vim. India's once-scintillating growth rate has fallen by half to 5%. With a need to find new jobs for 10m Indians joining the workforce each year, such sluggish growth brings a terrible human cost. It is this backdrop that makes Congress's drift and venality look so dangerous. The 81-year-old prime minister, Manmohan Singh, once a reformer, is serving out his days as a Gandhi family retainer. Rahul Gandhi might end up as Congress's next candidate for prime minister; yet the princeling seems neither to want the job nor to be up to doing it.

In four of the five state elections announced this week Congress was deservedly walloped. One encouraging sign was the emergence of an anti-corruption movement in Delhi (see page 49). The main beneficiary of this passion for change, however, is Mr Modi. Not only is he the prime-ministerial candidate for the Hindu, centre-right Bharatiya Janata Party (BJP) but, to an unusual degree for an Indian party, he is the public face of its campaign. His visibility helps account for its success this week in Rajasthan, Madhya Pradesh, Chhattisgarh and Delhi. A brilliant orator, the 63-year-old attracts huge crowds around the country. Whereas Indian politicians usually pay people to attend their rallies, Mr Modi charges an entrance fee—which is both a sign of the enthusiasm he arouses and a way of making supporters feel they belong to a powerful movement. Many of India's business titans are besotted with him. Anil Ambani of Reliance Group calls him “the lord of men, a leader among leaders and a king among kings”. Investors think that he would fire up the economy. Bright young acolytes are giving up well-paid jobs to join his campaign.

Much about Mr Modi appeals to this newspaper too. He is a man of action and an outspoken outsider in a political system stuffed with cronies. In contrast with the pampered Mr Gandhi, great-grandson of Jawaharlal Nehru and son of Sonia Gandhi, Congress's behind-the-scenes boss, Mr Modi comes from a low caste and a modest background as a tea-seller; his success is down to drive and ambition. And in a system shot

through with corruption, he seems pretty clean.

Unusually for a serious contender to be prime minister, Mr Modi has a record from a dozen years as a chief minister. Gujarat, a state of 60m people, has boomed as he has cut red tape and built roads and power lines. Business has flourished and investment has poured in. Gujarat accounts for just 5% of India's population, yet produces nearly a quarter of its exports. State GDP has almost tripled under Mr Modi. Most social indicators have also improved. Even among Muslims, generally poorer than Hindus, the poverty rate has fallen from over 40% to 11% in two decades. Mr Modi talks of replicating Gujarat's rapid growth, industrial development and improved infrastructure across India. That is refreshing. Politicians usually promise subsidies and largesse for special interests.

This is the Modi who could save India and greatly benefit hundreds of millions of the world's poorest people. But his business supporters should face the fact that there is also a Modi who risks breaking India. Two serious questions hang over his character.

The first concerns his leadership. He is an autocratic loner who is a poor delegator. That may work at state level, but not at national level—particularly when the BJP is likely to come to power only as part of a coalition. A man who does not listen to the counsel of others is likely to make bad decisions, and if he were prime minister of India, and thus had his finger on the button of a potential nuclear conflict with Pakistan, Mr Modi would be faced with some very serious ones.

Beyond the pale?

The second issue concerns the dreadful pogrom that happened on Mr Modi's watch. No Indian court has found him guilty of any crime. Yet it is hard to find an Indian who believes he does not share some responsibility for what happened—if only through neglect. He is banned from travel to America because of it. In this context, Mr Modi's failure to show remorse, which goes down well with his Hindu chauvinist base, speaks volumes.

The BJP is not the only party in India with a bloody history. Congress turned a blind eye in 1984 as thousands of Sikhs were massacred in rage at the murder of Indira Gandhi by her Sikh bodyguards. Yet Congress does not pursue a policy against Sikhs or any other ethnic or religious group, while Mr Modi has devoted much of his life to the pursuit of an extreme form of Hindu nationalism. His state party included no Muslim candidates in last year's election and he has refused to wear a Muslim skull-cap. Other BJP leaders have worn them. He failed to condemn riots in Uttar Pradesh in September in which most of the victims were Muslim.

All sins of omission perhaps, but in India symbols like skull-caps matter—as Mr Modi well knows. India's great strength is its inclusiveness. In the next five months Mr Modi needs to show that his idea of a pure India is no longer a wholly Hindu one. How he does that is his own affair, but an unambiguous public demonstration that he abhors violence and discrimination against Muslims is a bare minimum. Otherwise, this newspaper will not back him. ■

Crackdown in Ukraine

Goodbye, Putin

Viktor Yanukovich has made his choice. His country has chosen otherwise



TWO choices have been made in Ukraine in the past tumultuous month: by the country's people and by its president. Despite the many stains on his reputation—locking up opponents, rampant cronyism, not to mention his occasional, infelicitous use of prison slang—Viktor Yanukovich retained, until recently, the vestige of respectability that the presidency of a nation of 46m confers. He has opted to forfeit it. His people's choice is equally clear—and equally irrevocable.

Mr Yanukovich had already sent his skullcrackers in once to Independence Square in Kiev, centre of the protests that erupted in November after he rejected an association agreement with the European Union, in favour of an opaque economic deal with Russia. That needless brutality brought hundreds of thousands onto the streets. This week his minions launched raids on opposition parties and, on the night of December 10th, on the reoccupied square—despite the facts that the protests have been overwhelmingly peaceful and a majority of Ukrainians share the crowds' aim of integration with the EU; also despite Mr Yanukovich's own suggestion that he would negotiate, albeit at the tip of a truncheon (see page 59).

That the crackdown happened when senior Western diplomats, visiting to broker a compromise, were still in Kiev, was a spiteful snub. John Kerry, America's secretary of state, expressed his "disgust". That is now the proper Western attitude to Mr Yanukovich, whatever noises he makes about reopening talks with the EU: his vows of re-engagement may as well be written on the waters of the Dnieper, along with his government's pledge to respect peaceful protest.

Henceforth, while they are obliged to (perhaps not that long), Western leaders should deal with him as little as possi-

ble, and hold their noses when they do. He should rank among those obnoxious autocrats whose power is based on coercion and state capture rather than genuine legitimacy: leaders such as Ilham Aliiev of Azerbaijan, Alexander Lukashenko of Belarus—or, indeed, Vladimir Putin, whom Mr Yanukovich visited in Russia shortly before he sent in his goons.

And Lenin, too

Mr Putin loathes both popular protests and the idea that Ukraine might move closer to the West. For the time being, Mr Yanukovich has bowed to his prejudices. But, sooner or later, the protesters will have their way. That is partly because, lacking the Kremlin's petro-wealth, Mr Yanukovich is less able to bribe and bludgeon his countrymen into submission: because of his mismanagement, Ukraine's economy is on the verge of collapse. But mostly it is because a majority of its citizens want to live in a law-abiding, clearly governed country.

Any society with politics that feature the toppling of a statue of Lenin, Orthodox priests blessing riot police at the barricades, and a rapturous public reception for EU officials, is plainly a complex place. But for all its idiosyncrasies, Ukraine's trajectory is clear: towards Europe. An entire generation has grown up since it became independent, and knows there is a better way to be governed than Mr Putin's kleptocratic authoritarianism, which Mr Yanukovich has tried to import.

Mr Yanukovich's choice of force was a moral defeat, which makes his distance from mainstream Ukrainians clearer. And a literal defeat: as *The Economist* went to press, the protesters still held most of the square, and his authority was fraying. The thousands of brave souls on the icy streets of Kiev are proof that his critics' choice of a European future is far more robust. Even as it repudiates Mr Yanukovich, the EU must make it clear that, under a better government, Ukrainians' hope of joining the European family can eventually be realised. ■

World trade

Life after Doha

Even a small global trade deal is welcome. But a fresh approach is now needed



MANY times over the past 12 years the efforts to reach an agreement in the "Doha round" of world-trade negotiations have seemed doomed. Yet reports, including some by this newspaper, of the death of Doha have proved to be greatly exaggerated. In Bali on December 7th a deal was done.

True, it is a modest one, covering mostly "trade facilitation" (simplifying customs procedures) and not the broad liberalisation that was the aim of Doha. But it is the first global deal since the World Trade Organisation (WTO) came into existence in

1995. It includes some useful stuff: by one estimate, cutting customs red tape could raise annual global output by \$400 billion, with much of the gain flowing to developing economies. And it is a personal triumph for Roberto Azevêdo (pictured), the Brazilian who became the WTO's director-general in September and who always insisted a deal was possible. Now Mr Azevêdo needs to make the most of his momentum.

The main lesson is not to repeat the sorry history of the Doha round. It has taken years of effort and several near-death experiences to produce this small success. The problem has been the WTO's all-or-nothing approach of seeking a jumbo accord which has to be approved by all 159 members. In theory this is the way to ensure that trade liberalisation is truly global. ►►

► In practice, with each country able to wield a veto, it is a recipe for deadlock—and for handing power to obstructionists.

Last week's deal was achieved only after the WTO lowered its sights and settled on a lowest-common-denominator part of the Doha agenda, leaving out more difficult topics such as farm trade and intellectual property. And even then an agreement was reached only when other parties caved in to demands from India, whose politicians stubbornly insisted on getting an indefinite exemption from WTO rules for its farm subsidies (see page 78).

Beyond Bali

The action in the trade-liberalisation world these days is not inside the WTO but with regional agreements. The recent agreement in principle between the European Union and Canada is a pioneering example. Other big pacts under negotiation are the Trans-Pacific Partnership (involving a dozen countries including America and Japan, now sadly set to miss their end-2013 deadline) and the Transatlantic Trade and Investment Partnership between America and the EU. Even the long-moribund talks between the EU and Mercosur are showing signs of life (see page 45).

Regional deals are better than no progress at all, but they are not ideal. Rather than leading to more trade overall, they can divert it from countries outside the pact to those within it. And as they proliferate, they risk creating a Balkanised world of large trade blocks that trade more and more internally and less and less with the outside world.

The WTO should work against Balkanisation not by opposing regional pacts, but by trying to draw them into the global system. After the bruising experience of recent years the chances of broking another big global deal look vanishingly small. A more promising route is what is known in the hideous jargon of the trade world as plurilateral agreements—deals whereby groups of countries get together to agree to liberalise their rules on one sort of good or service, with others free to join as and when it suits them. They are far simpler to negotiate than multilateral agreements. They set the right incentives for laggards: get on board or get left behind. And, as others sign up, they can turn into global ones.

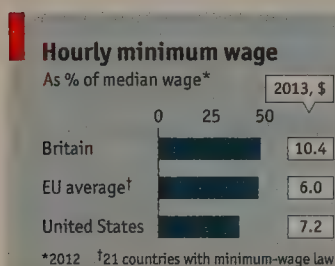
Such coalitions of the willing look particularly promising for trade in services and in information technology. Other areas that could benefit from this strategy include investment rules (to chip away at subsidies) and trade in environmental goods and services (covering everything from septic tanks and air filters to green consulting). China seems to see this as a promising way forward, despite resistance from its protected state-owned enterprises.

Ideally every regional deal should also be open to others. So Ghana, say, could sign up to the EU-Canada deal, providing it met the conditions, or, more controversially, China could join TPP. That will irk those who are building regional trade pacts as political fortresses. But that is the point. Now is not the time to give up on the principle that free commerce is a good thing in itself. Grand deals may be beyond the WTO's reach for the moment, but small successes may grow into bigger ones. ■

Minimum wages

The logical floor

Moderate minimum wages do more good than harm. They should be set by technocrats not politicians



ON BOTH sides of the Atlantic politicians are warming to the idea that the lowest-paid can be helped by mandating higher wages. Barack Obama wants to raise America's federal minimum wage by 40% from \$7.25 to \$10.10 an hour, and more

than three-quarters of Americans support the idea (see page 36). In Germany, one of the few big rich-world countries still without a national wage floor, the incoming coalition government has just agreed on an across-the-board hourly minimum of €8.50 (\$11.50) from 2015. In Britain, which has had a minimum wage since 1999, the opposition Labour Party is keen to cajole firms into "voluntarily" paying higher "living wages".

For free-market types, including *The Economist*, fiddling with wages by fiat sets off alarm bells. In a competitive market anything that artificially raises the price of labour will curb demand for it, and the first to lose their jobs will be the least skilled—the people intervention is supposed to help. That is why Milton Friedman called minimum wages a form of discrimination against the low-skilled; and it is why he saw topping up the incomes of the working poor with public subsidies as a far more sensible means of alleviating poverty.

Scepticism about the merits of minimum wages remains this newspaper's starting-point. But as income inequality wid-

ens and workers' share of national income shrinks, the case for action to help the low-paid grows. Addressing the problem through subsidies for the working poor is harder in an era of austerity, when there are many other pressing claims on national coffers. Other policy options, such as confiscatory taxes, are unattractive.

Nor is a moderate minimum wage as undesirable as neo-classical purists suggest. Unlike those in textbooks, real labour markets are not perfectly competitive. Since workers who want to change jobs face costs and risks, employers may be able to set pay below its market-clearing rate. A minimum wage, providing it is not set too high, could thus boost pay with no ill effects on jobs.

French lessons

Empirical evidence supports that argument. In flexible economies a low minimum wage seems to have little, if any, depressing effect on employment. America's federal minimum wage, at 38% of median income, is one of the rich world's lowest. Some studies find no harm to employment from federal or state minimum wages, others see a small one, but none finds any serious damage. Britain's minimum wage, at around 47% of median income, with a lower rate for young people, also does not seem to have pushed many people out of work.

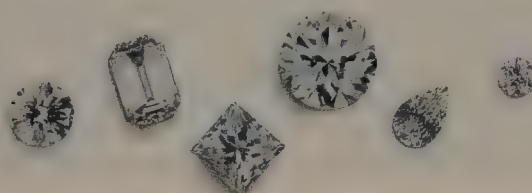
High minimum wages, however, particularly in rigid labour markets, do appear to hit employment. France has the ►►



SHE IS MY EVERYTHING

THE CENTER OF MY UNIVERSE™ FROM FOREVERMARK

Less than one percent of the world's diamonds can carry the Forevermark inscription — a promise that each is beautiful, rare and responsibly sourced.

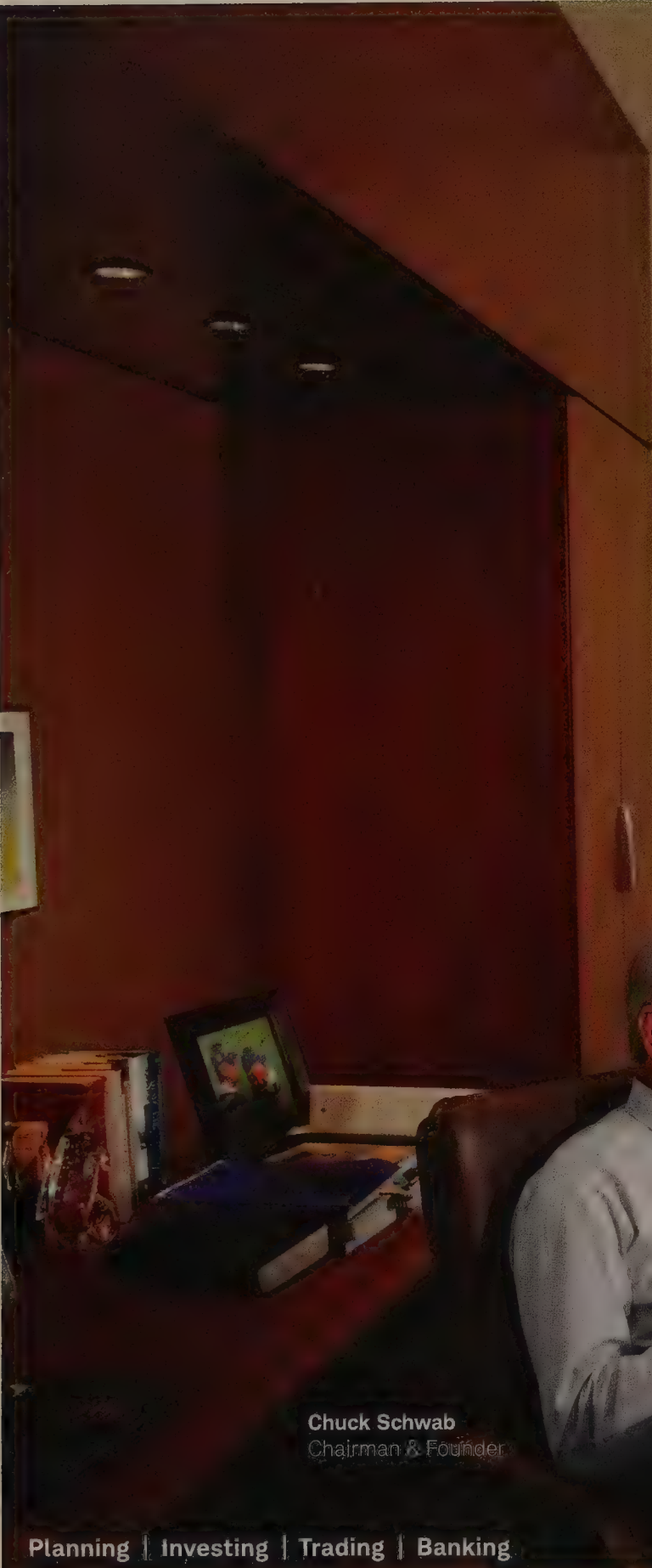


FOREVERMARK



THE DIAMOND. THE PROMISE.

Forevermark is part of the De Beers group of companies. FOREVERMARKDIAMOND.COM



Accountability. Yes, it exists.

The Schwab
Accountability Guarantee™
for participating Investment
Advisory Services*

Introducing the Schwab Accountability Guarantee. If for any reason you're not happy with one of our participating investment advisory services, we'll refund your program fee from the previous quarter. While it's no guarantee against loss, and other fees and expenses may still apply, we stand by our word and will work with you to make things right. If accountability matters to you, talk to us today.



Own your tomorrow.

Chuck Schwab
Chairman & Founder

Planning | Investing | Trading | Banking

300 Branches | 1-800-4SCHWAB | schwab.com

Brokerage Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

*The guarantee applies to the following investment advisory services ("Participating Services") and associated program fees: (i) Schwab Private Client ("SPC"); (ii) Schwab Managed Portfolios ("SMP"); and (iii) Managed Account Connection ("Connection") for accounts that are managed by investment advisors affiliated with Charles Schwab & Co., Inc. ("Schwab") - Windhaven Investment Management, Inc., ThomasPartners, Inc., and Charles Schwab Investment Management, Inc.

The guarantee does not apply to (i) accounts managed by investment advisors that are not affiliated with Schwab; (ii) accounts managed by Schwab-affiliated advisors outside of the SPC, Connection and SMP programs; or (iii) any other product or service made available by Schwab or its affiliates. SPC, SMP and Connection are wrap fee programs sponsored by Schwab.

If at any time or for any reason you are not completely satisfied with a Participating Service, at your request Schwab will refund the associated program fee for the previous calendar quarter applicable to the Participating Service. The program fee is a percentage of the eligible assets in your Participating Service account(s). You will receive a credit to your Participating Service account(s) within approximately four weeks of your request. No other fees, commissions, charges, expenses, or market losses will be refunded. If Schwab is unable to address your concerns after consulting with you and refunding your program fee, Schwab will work with you to help meet your financial goals. Schwab reserves the right to change this guarantee in the future after providing notice. For additional information regarding associated program fees, please see the disclosure brochure for the Participating Service, available at the time you enroll or upon your request.

The Charles Schwab Corporation provides a full range of securities, brokerage, banking, money management and financial advisory services through its operating subsidiaries. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC), offers investment services and products, including Schwab brokerage accounts. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides deposit and lending services and products.

©2013 The Charles Schwab Corporation. All rights reserved. (1113-7113) ADP77848-00

rich world's highest wage floor, at more than 60% of the median for adults and a far bigger fraction of the typical wage for the young. This helps explain why France also has shockingly high rates of youth unemployment: 26% for 15- to 24-year-olds.

Theory and practice suggest two lessons for governments contemplating setting or changing minimum wages. The first is to ensure that the level is pretty low—say, less than 50% of the median, with lower levels for less productive people such as the young and long-term unemployed. Germany risks breaking this rule. Its proposed level is, by one calculation, 62% of the median wage. One in six German workers is paid less than that, suggesting that jobs will be lost, especially in the less productive east of the country. Similarly the “living wage” which campaigners are calling for in Britain is 20% higher than the

minimum wage. That could hit employment. Though America's proposed increase is huge, the minimum wage would still be only about 50% of the median.

A second lesson is that politicians should give the power to set minimum wages to technocrats. In Britain, the floor is adjusted annually on the advice of economists and statisticians in the Low Pay Commission; it has generally advanced gradually. In America, the federal floor is set by politicians and adjusted irregularly in huge increments. That does no favours to American workers or their employers.

Finally, governments should remember that minimum wages are a palliative. They should not distract attention from more fundamental causes of low wages—such as a lack of education and skills—and the efforts to address them. ■

The Volcker rule

Hedge-trimming

A new regulation that aims to pare risks in the financial system is likely to have the opposite effect



TO COMPLY with all the new regulations aimed at preventing further financial crises, banks have already had to hire lots of lawyers. To comply with the Volcker rule, which was approved by five American financial regulators on December 10th, they will have to hire lots of psychiatrists—or so runs the joke on Wall Street. The idea, first proposed by Paul Volcker (pictured), a former chairman of the Federal Reserve, is to prohibit deposit-taking banks from trading on their own account, the aim being to stop taxpayers having to bail out the feckless financiers once more. The problem is that banks still need to make trades to help their customers—and it is very hard to tell the difference. That is where the shrinks come in: they would hover around trading desks, asking the moneymen, “What was going through your head when you struck that deal?”

When Barack Obama announced his government's intention to draw up a Volcker rule, almost four years ago, he described it as a “simple and common-sense reform” that would “strengthen the financial system”. Like too many Obama laws, it has not worked out that way. The final version released this week stretches to almost 1,000 pages (albeit many of them a discussion of public comments). The complexity hints at the difficulty of the task the authorities have set themselves (see page 77). And, as so often with elaborate regulation, the outcome will probably be the opposite of what the bureaucrats intended. Banks will cease conducting certain transactions not just on their own account, but also on behalf of clients. The result will be less liquid markets, higher transaction costs, a weaker financial system and, as usual, richer lawyers.

The starting point for the Volcker rule is a good one. Any government that guarantees small deposits, as America's does, has a clear interest in making sure that banks do not gamble with those deposits. But in America at least there was scant evidence of such recklessness during the financial crisis. In fact, it was banks which combined retail and investment operations, such as Bank of America and JPMorgan Chase, that were prevailed upon to buy struggling specialists from both

sides of that divide in the aftermath of the crisis.

Moreover, there are easier ways to protect taxpayers. In Britain, for example, the government wants banks to keep their retail operations in separately capitalised subsidiaries, “ring-fenced” from the roulette-players in the investment-banking division. That means that investment bankers can do whatever trades they want, but if they go wrong, they cannot plunder the retail bit. Meanwhile, the British regulators do not have to divine the investment bankers' motives, nor do they have to determine which sorts of trades are socially useful—another impossible task the Volcker rule takes on.

Although investment banks trade securities in order to make a profit, that is not always destabilising. Far from it. By keeping a stock of bonds, the banks provide liquidity to other investors, which makes markets less volatile. In bad times, a shortage of willing market-makers can cause prices to plunge so that assets become impossible to offload. Moreover, many of their trades are to hedge their own positions: again that lowers risk. Dodd-Frank, the law from which the Volcker rule derives, explicitly exempts those two activities from it. But the rule defines the exemptions narrowly, banning broad hedges of whole portfolios, for example, and discouraging trading in the less common assets where liquidity is most needed.

Risk off

One worry is that banks will now decide that it is easier to avoid the legal risks (and psychiatric burdens) that come with all but the most lucrative transactions. Partly in anticipation of the rule, they have sold off corporate bonds. Insurers and pension funds may take up some of the slack by trading directly with one another, but shunting the activity to another, less closely supervised corner of the financial system may not help the taxpayer: think of the collapse of AIG, an insurer which had built up a fatal exposure to credit-default swaps.

Just how damaging the Volcker rule will be is impossible to say: it will take compliance departments some time to parse its 1,000 pages. Given the heady and occasionally capricious fines American regulators have doled out to banks of late, they are likely to be cautious in their interpretation. The only fool-proof hedge against regulatory risk, sadly, is inactivity. ■





2 billion

more people on the planet.

130% larger

global economy.

40% better

energy efficiency.

Energy. We almost never see it, but it's essential to human progress. As the world's population grows and prosperity increases, energy needs are rising. The good news is we're using energy more efficiently every day, so much so that by 2040, even though the global economy will be about 130% larger than in 2010, energy demand will rise at a much lower rate. The real challenge is supplying the energy needed for progress while reducing greenhouse gas emissions. It's what 80,000 ExxonMobil employees work to achieve each day.

Energy lives here.

ExxonMobil

Brands of ExxonMobil

EXXON

Mobil

Mobil 1

India's state banks

SIR – Your article on the reforms to India's financial system ("Bridging the gulf", November 30th) did not appreciate the contributions to the economy made by public-sector banks. Millions of entrepreneurs have blossomed across India because of their focused lending. India's humiliating dependence on American wheat in the 1960s was ended by credit obtainable from the banks that went into food production.

Opening the financial system to foreign banks—especially those from developed countries plagued by weak risk-management, fraud, violations of money-laundering laws and other indiscretions—is unlikely to create the necessary conditions to spread financial products to poor Indians. Those banks have little experience in helping the disadvantaged.

You also bemoaned the restrictions on flows of foreign funds into India's debt market and currency derivatives. But even in these restricted markets, multinational banks have facilitated arbitrage opportunities for foreign investors, who have created a non-deliverable forward market in the rupee outside India. The speculation has weakened the currency.

Yes, bad debts have increased, but they are likely to be reduced with growth and a revived economy. Raghuram Rajan, the governor of the Reserve Bank of India, can be relied upon to reform and strengthen the financial system further.

S. SOLOMON RAJ
Former deputy managing director
State Bank of India
Mumbai

Politics in Thailand

SIR – The reason why people are on the streets of Thailand protesting against the Yingluck government ("The exile and the kingdom", November 30th) is because the democratic rule of law was intentionally ignored by the Pheu Thai-led coalition and its MPs. They

sidestepped the ordinary legislative process when passing the amnesty bill by lumping the three reading stages into one. They refused to listen to the opposition, voting on the amnesty at four o'clock in the morning to avoid media attention. The final version of the bill that was forwarded to the king to sign was doctored to include a clause that did not appear in the parliament-approved version.

Your articles about Thai politics have consistent themes: Thaksin Shinawatra as the democratic saviour of the rural poor, and a royalist elite opposition backed by the king. However, it is the educated middle-class who oppose Thaksin and his cronies because they are dragging the Thai economy into a financial black hole with their populist schemes, schemes that Thaksin gains the most from.

Does any of this seem royalist to you?

MONSON MARUKATAT
Bangkok

Quiet restraint over Iran

SIR – When Iranians invaded the American embassy in Tehran in 1979 and held 52 Americans hostage for 444 days we did not capture an Iranian embassy or hold Iranians hostage in retaliation. In April 1983, when a pro-Iranian group bombed the American embassy in Beirut, we did not bomb an Iranian embassy. In this century, Iran has threatened to close the Persian Gulf, especially to American ships. America has not threatened to close international waters in response. Encouraged by the ayatollahs and by hatred spread in schools, Iranians have routinely shouted "Death to America" and burned the American flag. Americans have not reciprocated with similar despicable actions.

Why, then, does *The Economist* declare Iran and America to be "blood enemies" who hate one another ("Unlocking the Middle East", November 30th)? The hatred is clearly unilateral.

JERRY HARTKE
Lancaster, Massachusetts

China's muscular action

SIR – It is a bit hasty to compare China's declaration of an Air Defence Identification Zone (ADIZ) to acting like a "teenager on a growth spurt" ("Face-off", November 30th). Far from being a teen with raging hormones immaturely flexing his biceps in front of a mirror, China's move is a calculated provocation. Its aim is to call a bluff on America's pivot to Asia-Pacific.

America is bogged down in too many conflicts on which it needs China on its side. It also struggles to attract China's financial benevolence. Washington has hitherto unwillingly fed the suspicion that it is ready to throw Japan and South Korea under the bus in favour of deeper co-operation with Beijing. China has forced America into a lose-lose situation, where it must either support or betray its allies.

However, you were right in saying that China's ADIZ is unmistakably the act of a rising power seeking to shake the regional order. China's problem is that it declared its defence zone unilaterally. The question is, what price is Washington ready to pay to preserve the status quo? Or is it ready to accept change in the region?

LIUBOMIR TOPALOFF
Assistant professor of political science
Meiji University
Tokyo

Defeating Napoleon

SIR – Roger Knight's book on "Britain against Napoleon" should have considered at least two other factors that help explain Britain's victory ("Blood, sweat and tears", November 23rd). The first is the commercial spirit of British troops incentivised by booty. Soldiers and sailors shared in the spoils of war, officially so in the Royal Navy. The second is that by 1815 France was drained after 20 years of war and revolution, Napoleon's loss at Trafalgar, his disastrous invasion of Russia and retreat, and his banishment to Elba. Yet France could still support

Napoleon's comeback to give the British and Prussians a run for their money at Waterloo.

Perhaps a more interesting question would be, how could France even muster and equip an army at all in 1815 and almost win?

EDWARD DREYFUS
New York

Born to be mild

SIR – Why stop at forcing motorcyclists to wear helmets in order to save taxpayers the costs of their accidents ("No brainer", November 16th)? Deaths and injuries are far higher for motorists, so car drivers and passengers should also be made to wear helmets. The law could also require pedestrians to sport helmets. If that seems ludicrous, think again. One helmet-maker is spending money trying to convince parents that their toddlers should wear helmets inside the home.

JOHN ROBERTS
El Cerrito, California

The left-right split

SIR – You compared the polarised American Senate to "a diseased brain, with few neural pathways between the two hemispheres" ("United States of Amoeba", December 7th). Actually, split-brain patients, people with the neural connections cut between the left and right halves of the brain, usually behave completely normally, unlike the American government.

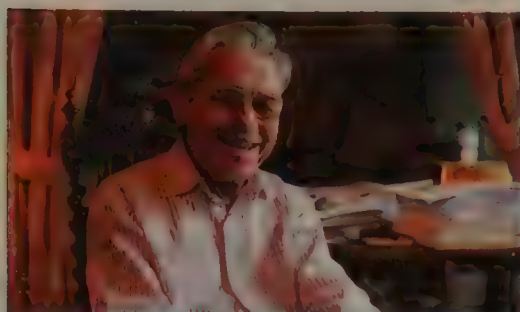
MIKAL HEM
Oslo

SIR – I was struck by the similarity between the illustrations of the dysfunctional Congress and the functional male brain in another article ("Vive la différence!", December 7th).

ELLEN TURNER HALL
Collioure, France ■

Letters are welcome and should be addressed to the Editor at
The Economist, 25 St James's Street,
London SW1A 1HG
E-mail: letters@economist.com
Fax: 020 7839 4092
More letters are available at:
Economist.com/letters

Visit economist.com for news, blogs, audio, video, interactive graphics and debates
Links to all the stories below can be found at: economist.com/dh46



The quiet creator

Louis Pouzin's designs for routing short messages became one of the pillars of the internet, yet his name has never been as well known as the network's other creators. We spoke to him at his Paris flat, among the memorabilia of a life of computer science



Mustang salivating

The original Ford Mustang proved one of the biggest hits in American automotive history—albeit an unexpected one. As the marque prepares to celebrate its 50th anniversary, hopes are high that the latest model will attract new fans outside America



Down and out

Freshly expelled from Saudi Arabia, the deportees returning to Yemen pose a big problem for the poorest country in the Arab world. Many say they will try to sneak back into Saudi Arabia, which they see as offering a better chance for a decent life

From our blogs



United States: Get off that couch

Some Republicans like to claim that long-term unemployment insurance hurts the very people it is trying to help. Are they right?



Asia: Sri Lanka's "Colbert Report"

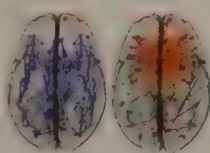
The fictional President Pusswedilla bullies in malapropisms, surrounds himself with sycophants and generally reminds everyone of another president



Eastern Europe: Propagandist-in-chief

In its coverage of the crisis in Ukraine, Russian state television has churned out propaganda that would have made its Soviet predecessors blush

Most read on Economist.com



1

Sex and brains
Vive la différence!

2 Nelson Mandela
A giant passes

3 Investment management
The rise of BlackRock

4 Nelson Mandela
The long walk is over

5 Lexington
Why Americans are so angry

Featured comment

"The concept of saints expresses the difficulty people have with monotheism: they want something tangible, ideally a relic which can be venerated or even touched, rather than the ineffable and unknowable and in Judaism unnameable reality. Yes, it's idolatry but it's also in our nature to be idolatrous."
—jomiku on "What is sainthood?", Dec 9th



Follow us @TheEconomist

Links to all these stories
can be found at:
economist.com/dh46
or by scanning this code

To subscribe go to
econ.st/Sb6Prb



ENERGY
REALITIES



How can you help solve the world's energy challenges?

Make your voice heard and shape the future of energy thinking. www.energyrealitiescompetition.org

MANAGED BY





The Commonwealth

Develop and work with the young people of the Commonwealth

Perhaps the Commonwealth's most inspired and inspiring programme is dedicated to developing and empowering the young people who make up over 60% of our population. We are shifting our delivery approach for the **Commonwealth Youth Programme**, which creates these new opportunities based in our Headquarters in London.

As senior roles, each will contribute to our overall youth affairs strategy. Successful candidates will have relevant experience and qualifications, and a strong commitment to engaging and empowering young people as assets for national development.

Head of Programmes

You will be responsible for the design, implementation and management of pan-Commonwealth youth programmes, in collaboration with your team, other Commonwealth colleagues and external partners and stakeholders. This will involve advocacy; innovative thinking on programme and product design; capacity and profile building; and partnerships with member governments, youth leaders and other key stakeholders.

Head of Research & Policy

Driving thought leadership, you will use your substantial experience in research and policy development, and partnerships with experts in the youth development field, to cultivate cutting-edge research and policy. Your work will be guided by the needs and opportunities faced by young people and member states, both evident today and hidden over the horizon.

Head of Sport for Development & Peace

With substantial direct experience in Sport for Development and Peace (SDP) programme and policy work at a national or international level, you will head our SDP efforts. This means designing and delivering strategic SDP programming; managing key relationships with member governments and other SDP stakeholders; and supporting the Commonwealth Advisory Board on Sport.

Programme Manager (2 positions)

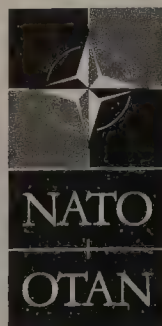
You will design, implement and manage evidence-based youth programming, focused on the creation of enabling environments for youth development, and the engagement and empowerment of young people. Key to the work are youth policies and frameworks; youth work professionalisation; youth networks and governance; and building the capacity of youth development mechanisms.

Partnerships Manager

You will identify and develop opportunities to build partnerships and platforms for collaboration; to promote and extend our work into new spheres and on the global stage; and to attract additional resources. You will engage, at national, regional and international levels, with member governments, development agencies, intergovernmental organisations and the private sector, advocating for collaboration and investment in youth empowerment.

If you are keen to make your mark on one of the world's high-profile youth development programmes; are a citizen of a Commonwealth country; and can thrive in our multi-cultural environment; please find out more at www.thecommonwealth.org

Closing date **Friday 24 January 2014**.



The NATO International Staff (HQ Brussels) is recruiting a (m/f)

DEPUTY ASSISTANT SECRETARY GENERAL FOR HUMAN RESOURCES

The Deputy Assistant Secretary General for Human Resources (DASG/HR) is the Organization's focal point for HR leadership and management. He/she oversees the delivery of all HR services for NATO's Brussels-based 1100-person International Staff (IS). The incumbent also acts as the overall champion for HR policy development across all NATO entities (a combined population of 6000 civilian staff members). He/she reports to the Assistant Secretary General for Executive Management (ASG/EM).

This is a senior management position that works with NATO member Nations and Organizational leadership on shaping the size, structure and capacity of NATO's civilian staff and the Organization's ability to deliver on its strategic objectives. The incumbent must be able to manage and lead the HR team during a period of change in the Organization, which will require managing ongoing business while also championing change.

The ideal candidate must:

- hold a university degree from an institute of recognised standing, preferably with an emphasis on HR or a management discipline;
- have at least 10 years of progressively responsible experience in the field of human resources or management, preferably at an organisation of comparable size in either the public or private sector;
- have at least 10 years of people management experience, including recent experience in senior-level leadership positions;
- have an in-depth knowledge of HR concepts and theories;
- have experience facilitating high-level dialogue and proactively finding solutions;
- have experience working in a politically sensitive environment where various interests are at stake;
- possess the following minimum levels of NATO's official languages (English/French): V ("Advanced") in one; I ("Beginner") in the other.

Selection of candidates for NATO posts is based upon the merit principle. Further information concerning the positions and details of how to apply can be found on www.nato.int

Closing date for applications: 13 January 2014, reference A 52(2013).

Only those candidates who meet the specific requirements and whose applications pass the initial screening will receive a reply. Short-listed candidates will be required to undergo an external assessment as well as testing and interview at NATO Headquarters.



UNITED NATIONS ENVIRONMENT PROGRAMME
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT



Are you interested in:

Shaping and drafting environmental law?

Strengthening global environmental governance and institutions?

Promoting the rule of law?

Supporting contracting parties in implementing multilateral environmental agreements?

UNEP is seeking candidates for the position of

Director, Division of Environmental Law and Conventions (D2)

Based at UNEP headquarters in Nairobi, Kenya

The United Nations Environment Programme (UNEP), as the leading global environmental authority within the United Nations system, promotes the environmental dimension of sustainable development and serves as the authoritative advocate for the environment.

Application deadline 21 January 2014

For more details on this post and other UNEP vacancies please visit:

<http://careers.un.org> and/or

<http://www.unep.org/vacancies>

UNEP is an equal opportunity employer and encourages applications from female candidates.

ENVIRONMENT FOR DEVELOPMENT
PARTNERSHIP · LEADERSHIP · STEWARDSHIP

Package subject to
negotiation/approval

香港 HONG KONG
國際機場 INTERNATIONAL
AIRPORT

Hong Kong-based

Chief Executive Officer

The Airport Authority Hong Kong (AAHK) is a statutory body wholly owned by the Hong Kong SAR Government with the mandate to maintain Hong Kong's status as a centre of international and regional aviation. Since 1998, Hong Kong International Airport (HKIA) has been recognised more than 50 times as the world's best – reflecting its outstanding operational performance. Last year, the Hong Kong Government gave its approval in principle for the AAHK to adopt an expansion plan involving a 3-runway system for planning purpose. If approved and implemented, this mega infrastructure project will reinforce HKIA's leadership position, enabling it to handle about 100 million passengers and 9 million tonnes cargo a year. HKIA will also continue to enhance its commercial offering, focusing on both existing and new facilities.

THE ROLE

- Responsible for defining AAHK's strategic priorities to secure and reinforce the airport as a strategic asset to Hong Kong's continuing success; as well as executing against the approved strategy.
- Lead a highly complex and demanding change programme; including the proposed third runway project, and the development of the North Commercial District, as well as enhancing the airport's overall capacity in face of growing regional competition.
- Drive financial discipline and maintain profitability. Act as a direct liaison between AAHK employees, management and the Board as well as government authorities, other stakeholders and the public.

THE QUALIFICATIONS

- An outstanding business leader with experience in successfully implementing strategic large-scale, complex, and capital-intensive projects. Recognised for being able to deliver operational excellence in both B2B and B2C environments.
- Proven ability to build, lead, and inspire teams across multiple areas of activity; able to navigate businesses through change. Aviation experience is not a pre-requisite.
- A track record in dealing with both public and private sector stakeholders. A readiness to foster a collaborative culture including the community, passengers, aviation industry, and other suppliers.

Please reply with full details to:
Spencer Stuart, Ref. HKAA 24050-015

SpencerStuart

Email: hkssa@spencerstuart.com
Tel: (852) 2521 8373. Fax: (852) 2810 5246

VALUE FOR MONEY IN DEFENCE PROCUREMENT?



Ministry
of Defence

1x CHAIR TO THE SINGLE SOURCE REGULATIONS OFFICE

Time Requirements / Remuneration: 1 to 3 days per week at £550 per day

Ref: 10016

London

An independent public body is being set up to monitor MOD contracts awarded without competition. These include multi-billion pound contracts for cutting-edge equipment such as nuclear submarines and fighter aircraft. Our Armed Forces depend on this equipment when defending the UK's interests, and we must make the most out of every pound spent.

The aims of the Single Source Regulations Office (SSRO) are to get value for money on defence procurement contracts whilst also ensuring a fair and reasonable return. Defence contributes to the UK manufacturing and exports, and an efficient and thriving sector benefits defence and the UK. The SSRO will set pricing and transparency rules to mitigate for missing market pressures, make binding financial adjustments to ensure fair and reasonable prices, and recommend the profit rates to use in pricing.

You will set up this new organisation as a strong independent body respected across Government and major suppliers. You will appoint Board members, and will be supported by approximately 30 staff. You will have the demonstrable

ability to operate successfully at Board level, ensuring effective decision making in a complex business or regulatory environment. You will have proven strategic communication skills, including the ability to create consensus through active debate and logical argument in a challenging environment, and effectively managing conflict resolution.

We value and promote diversity and are committed to equality of opportunity for all and appointments will be made on merit following an open, fair and transparent competition.

Please contact the DBS Civilian HR department on
DBSCivHR-NONSTANDARDAPPTS@mod.uk

Closing date: 8 January 2014.

Interviews: Start w/c 17 February 2014.

The MOD is an Equal Opportunities employer and seeks to reflect the diverse community it serves. Applications are welcome from anyone who meets the stated requirements.



A Force for Good.

www.civilianjobs.mod.uk





People Mover and Shaper

We are seeking a creative, dynamic and innovative Director of Human Resources. The World Agroforestry Centre (ICRAF) is based in Kenya and a member of the CGIAR Consortium. We are growing at 15% every year, with 500 staff in 30 developing countries. At ICRAF we seek a more strategic approach to HR Management. Gender, diversity and inclusion will be the key stepping stones in developing the future of the World Agroforestry Centre (ICRAF).

We invite all applicants to visit our website (www.worldagroforestry.org), and to apply online on or before Friday, 31st January 2014.

For queries and clarifications, please contact i.ogoso@cgiar.org

classifieds@switch.ae

Team Leader Bogra, Bangladesh



Maxwell Stamp PLC is one of the world's leading international consultancies, with a respected name built up over 50 years in 170 countries. As a major supplier to DFID, we have managed the Chars Livelihoods Programme (CLP) since 2005, successfully winning the £81m second phase in 2010, co-funded by DFID and Australian DFAT. The objective of the programme is to improve the livelihoods, incomes and food security of 1 million extremely poor and vulnerable people living on the remote isolated riverine char islands of North Western Bangladesh.

After seven years, the Team Leader is leaving in March 2014 and we are seeking an internationally renowned, highly competent replacement to commence in 2014. Based in Bogra, Bangladesh the Team Leader is responsible for the management and delivery of CLP2. This is a very exciting, challenging and demanding role; the team leader will be the public face of the programme, and have overall responsibility for:

- Policy strategy and long term planning
- Representation and liaison
- Annual planning, implementation and reporting
- Management of all programme staff and activities, including recruitment and human resources
- Finance, procurement and administration

Full details of the required skills, competencies and role of the team leader can be found at www.maxwellstamp.com/assets/pdf/Current-Contract.pdf. Interested candidates should email their CV and a detailed Expression of Interest (EOI) to recruitment@maxwellstamp.com quoting reference 'MSP2013F' in the subject line.

Closing Date: Tuesday 31st December 2013.

**MAXWELL
STAMP** PLC

SENIOR LEADERSHIP TEAM



FSD Africa (FSDA) is a regional financial sector development programme operating across Sub-Saharan Africa. Its goal is to reduce poverty by boosting financial inclusion and helping financial institutions and markets drive economic growth.

FSDA seeks a dynamic, highly qualified and high performing leadership team to manage significant budgets and develop ambitious approaches to deliver FSDA's strategy. These roles create a platform for outstanding individuals to influence the future development of African financial markets which are among the fastest growing and rapidly changing in the world.

- **Director, Change Management and Building Services Markets** - Works with financial institutions and providers of professional and technical services to develop strategies to originate and drive change management processes, to build leadership, spur innovation and strengthen core business processes; develops strategies to stimulate regional services markets (e.g. in e-learning and data analytics); leads a core team of professionals, identifying and mobilising external technical experts to meet client needs
- **Director, Knowledge and Evidence** - Leads FSDA's research activities, implementing strategies for knowledge-sharing and building the evidence base/information platform that connects and informs financial sector development with poverty reduction; strengthens market capacity to access and use information to accelerate commercial innovation and policy change; collaborates with international partners on learning programmes
- **Director, Professional Education** - Develops strategies to increase the supply of qualified personnel into the financial industry by working with regional training institutions, regulators and industry bodies; conceptualises and implements training courses that meet industry needs for technical and managerial skills; builds partnerships with training institutions to strengthen their capacity to deliver and market skills development programmes regionally
- **Senior Project Director** - Responsible for operational and contractual aspects of the programme, overseeing procurement, risk management, operations and administration; works closely with FSDA's co-funding partners to facilitate technical collaboration
- **Change Management Consultant (2)** - Supports origination and implementation of change management processes; designs and manages interventions with financial institutions, identifying and procuring appropriate technical resources, and ensures interventions achieve financial and developmental goals

Candidates will have a strong strategic focus, be results-driven, innovative and committed to high standards of performance. Essential: financial sector experience (banking/management consultancy/research); appreciation of the African financial markets context; able to manage significant budgets and deliver multiple projects; strong social commitment; rigorous project management, communication and influencing skills.

Based in Nairobi, Kenya, with extensive travel in SSA and occasionally outside Africa.

For role descriptions, please go to www.fsdafrica.org under Opportunities.

Please send your CV and covering letter to Warucu Itotia (info@fsdafrica.org) by 7 January 2014.



CEDEFOP

European Centre
for the Development
of Vocational Training

Do you have management and leadership skills, including experience in human and financial resources?

Do you have a thorough understanding of EU policy in vocational education and training?

Are you able to manage applied research and policy-relevant projects?

DEPUTY DIRECTOR (Grade AD 12)

Cedefop/2013/03/AD

European Centre for the Development of Vocational Training

The European Centre for the Development of Vocational Training, Cedefop is a body of the European Union located in Thessaloniki, Greece. It assists the European Commission and other stakeholders in encouraging the promotion and development of vocational education and training.

As Deputy Director you will assist the Director in managing and representing Cedefop. You must have a good understanding of EU policy in VET and the EU institutional framework and enjoy working at a top level in an international environment. The contract is for a period of five years and may be renewed once.

The requirements for qualifications and experience are described in detail in the vacancy notice and include:

- National of EU Member State;
- Be able to carry out a five-year mandate before reaching the mandatory retirement age;
- Undergraduate university degree;
- 15 years of professional experience after graduation, including at least 5 years of experience in managing human and financial resources;
- Good command of the English language and knowledge of other languages.

The application form can be found in the Vacancy Notice, available on Cedefop's website www.cedefop.europa.eu. Applications must be submitted and postmarked no later than **5 February 2014**. An HR company will assist in the evaluation of applicants.

JOIN OUR INTERNATIONALLY REGARDED BUSINESS SCHOOL

The University of Sydney Business School is internationally renowned as a leading provider of business and management education in the Asia-Pacific region.

Our Discipline of International Business comprises a highly regarded group of researchers and teachers in the areas of strategy, entrepreneurship and international business, and teaches into coursework programs at both the undergraduate and postgraduate levels.

We are currently seeking to appoint a **Professor of Business Strategy** to the discipline to provide leadership and a collaborative and collegial approach to research and teaching. You will conduct individual and joint research and contribute to the design and development of innovative, cutting edge courses.

This is a wonderful opportunity to join and contribute to the success of our Business School.

For more information and to apply, search via the reference number 1729/0813 at sydney.edu.au/recruitment

THE UNIVERSITY OF
SYDNEYUNITED NATIONS
UNIVERSITY

The mission of the UNU is to contribute, through research and capacity building, to efforts to resolve the pressing global problems that are the concern of the United Nations and its Member States. Key goals are to serve as a think-tank for the United Nations system and Member States, and a bridge between the United Nations and the international academic community. The University also contributes to capacity building, particularly in developing countries; and serves as a platform for new and creative ideas.

DIRECTOR (D-1 LEVEL)

UNU- INTERNATIONAL INSTITUTE FOR SOFTWARE TECHNOLOGY (UNU-IIST)
(DUTY STATION: MACAO, SPECIAL ADMINISTRATIVE REGION OF CHINA)

The UNU-IIST research programme will address key challenges faced by developing societies through high impact innovations in computing and information technologies. The UNU-IIST Director will have overall responsibility for the direction, organization, administration and programmes of the Institute under the direction of the Rector of the UNU.

Qualifications: A Ph.D. in computer science or a related discipline.

Experience: Strong international research background and publications in an area of particular relevance to developing societies such as health, education, agriculture, disaster management, and livelihoods. A reputation for visionary leadership in an academic or research institution with the ability to renew UNU-IIST and to recruit and lead a dynamic team of world-class researchers.

Candidates should possess excellent communication skills with fluency in English. Knowledge of other UN official languages is desirable.

Applications from suitably qualified women candidates are particularly encouraged.

CLOSING DATE: 15 JANUARY 2014

Please visit <http://unu.edu/about/hr> for the full job descriptions, requirements and application procedures. Application by email is highly encouraged.

Oxford HR
Executive Search, HR & OD consulting for
INGOs and social enterprise - worldwide

Executive Director

pasgr.org

PARTNERSHIP FOR AFRICAN SOCIAL
& GOVERNANCE RESEARCH

PASGR is a not-for-profit organisation based in Nairobi, aimed at strengthening African political and social science research and the teaching of social science research and public policy in African higher education institutions.

The Executive Director provides vision, leadership and direction to the programme of PASGR. S/he has ultimate responsibility for ensuring the achievement of strategic objectives and operational goals by providing leadership to the staff in all professional, financial and administrative activities.

The ideal candidate will need:

- A record of leadership and distinguished achievement internationally that demonstrates the ability to develop and implement innovative programmes in academia and / or research;
- Extensive management and strategic leadership experience;
- International credibility in one or more of PASGR's three areas of programme activities -- higher education, professional development training and policy-oriented research in Africa;
- Experience in fundraising in an international development context;
- Exceptional English language communication skills - verbally and through written materials. A command of French and/or Portuguese would be an asset.

PASGR is an equal opportunity employer and citizens of any African country are especially encouraged to apply.

To apply for this post, please **complete our online application form** and send a CV and cover letter to Hazel Douglas (Lead Consultant) / Simon Neill (Administrator) of Oxford HR Consultants at: ed-pasgr@oxfordhr.co.uk

Closing Date: 15th January 2014. Shortlisted candidates will be invited to final interviews with PASGR between 17th and 28th Feb, 2014.

For full details and how to apply, please visit:
<http://oxfordhr.co.uk/vacancies/executive-director/>

Feed your mind

your body



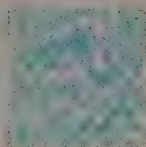
and your appetite for shopping



Discover yourself in Korea

Treat yourself to mouthwatering dishes, soul-searching serenity, and shop-till-you-drop therapy. And by showing your Korean Air boarding pass, you'll get discounts in a variety of shops, shows, restaurants and attractions during the first week of your trip. Scan the QR code to find out more.

Excellont
Boarding pass



Excellence in Flight

KOREAN AIR





A man of some of the people

AHMEDABAD AND DELHI

A populist with a nasty past and a decent economic record wants to run India

ON DECEMBER 8th the Bharatiya Janata Party (BJP), India's main opposition party, handsomely won state elections in Madhya Pradesh and Rajasthan, with a combined population of well over 100m. It also won, a bit more narrowly, in Chhattisgarh, and it got the largest share of the vote in Delhi (see page 49).

Narendra Modi, chief minister of Gujarat and the party's national leader, claims much of the credit. He is a forceful campaigner, hugely popular with his party's Hindu-nationalist core and increasingly accepted beyond it. His chances of becoming India's prime minister in next year's general elections, which must be held by May, were already good before the weekend. Now they look better than ever.

Indians, especially those in towns, in the north and in the middle class, are fed up with the ruling Congress party. Stubbornly high inflation, chronic joblessness and growth of less than 5% make the economic outlook gloomy. Manmohan Singh, the prime minister, is ineffectual; Rahul Gandhi, who is emerging as Congress's new leader, is uninspiring. At rallies Mr Modi, who looks like a barrel-chested cross between Father Christmas and a professional wrestler, mocks his rival—son, grandson and great-grandson of earlier prime ministers—as a prince. His audi-

ences bellow their scorn. Opinion polls (which Congress wants to ban) show Mr Modi as easily the most popular national figure. "Everyone now assumes it's Modi," says a columnist in Delhi. Mr Modi reportedly talks of an *aandhi*, a "storm blowing in our favour".

In a culture that favours insiders who govern as centrist coalition-builders, Mr Modi stands out as an outsider with a long history of extremism. His origins are humble. His father ran a tea stall at a railway station in northern Gujarat and his caste puts him in the category referred to as "other backward classes". At the age of eight he volunteered for the Rashtriya Swayamsevak Sangh (RSS), a movement whose purpose is to see India remade as a Hindu state. Forswearing marriage in his devotion to the cause, and receiving relatively little schooling, he rose through the ranks of the RSS despite not being of high caste. In late 2001 the BJP put him in charge of Gujarat, where he subsequently won three elections.

Running a state is not normally a springboard to becoming prime minister, but Mr Modi has found three ways to make it one. He established himself as the strongest voice for Hindu nationalists on the national stage. He presided over a period of strong growth in Gujarat which broadened

his appeal, developing a pro-business reputation which even brought him support from a small number of wealthier Muslims. The people he impressed this way see him as decisive, efficient and able to make civil servants do what he tells them. And he successfully marketed his state and himself. Helped by a PR firm, he has promoted himself as a green-energy champion. Every two years he hosts a big summit for investors, "Vibrant Gujarat", which earns him lots of attention and praise.

In the 2009 general-election campaign he was an active campaigner nationwide, though his big rallies did not translate into electoral success. From then on he assiduously built up his public profile both in old media and on social networks; he has almost 3m followers on Twitter, far more than any other Indian politician. Restored to the good graces of the RSS, with which he had had a falling out, this summer he toppled 86-year-old L.K. Advani as the BJP's leader. Mr Advani fought a rearguard action, attempting to promote Shivraj Singh Chouhan, the moderate chief minister of Madhya Pradesh, as the party's prime ministerial candidate. But the RSS and the party faithful were not having it.

The shadow of 2002

Mr Modi has for the most part used his reign over Gujarat cannily. But what took place just after he came to office still casts a long shadow. On February 27th 2002, Muslims in the Gujarati town of Godhra set fire to a train carrying Hindu pilgrims back from Ayodhya, a town in Uttar Pradesh where, a decade before, the destruction of a mosque triggered nationwide riots that killed 2,000. Fifty-nine men, women and ►►

▶ children died on the train; nine years later 31 people were convicted of a “planned conspiracy” to burn it.

After the attack on the train Hindu groups in Gujarat immediately called a *bandh*—a strike-cum-protest. Days of bloodshed, rape and torture followed, with weeks of further sporadic attacks on Muslims. Over 1,000 died, some 18,000 homes were destroyed and around 200,000 Muslims displaced. On February 28th an attack on the home of Ehsan Jafri, a former Congress MP, killed Mr Jafri and 68 others. On the same day at least 96 were killed in Naroda Patiya, a Muslim part of Ahmedabad, Gujarat’s largest city. In many places the police either did nothing to protect the victims or, according to Human Rights Watch, an American advocacy group, “actively supported” the massacres. Where the police did their jobs, in southern Gujarati towns like Surat, no one died.

Mr Modi could have forbidden the *bandh*; he could have quickly ordered a curfew; he could have compelled the police to act. He did none of those things. Nor did he call in the national police force or the army soon enough. India’s human-rights commission described the response by the state government as a “comprehensive failure”. The BJP’s leader wanted to sack him (it was Mr Advani, ironically, who saved his skin). In 2005 America revoked Mr Modi’s visa, on the basis that “he was responsible for the performance of state institutions” in the riots. Some say he was more directly culpable, alleging that he deliberately stood down the police.

Critics say that attempts to apportion blame by India’s courts were obstructed by the authorities in Gujarat, with charges badly filed, minutes of crucial government meetings either missing or never kept, and evidence destroyed. With the state’s courts doing a suspiciously wretched job, the na-

tional Supreme Court stepped in. So far a variety of courts have jailed 198 people. Last August 32 were convicted over the killings in Naroda Patiya; Maya Kodnani, a local BJP legislator who had urged on killers and used a pistol, was jailed for 28 years.

Mr Modi himself always denied wrongdoing and has been found guilty of nothing. (One relatively insignificant case in which he is indirectly involved is still ongoing.) A special-investigations team of the Supreme Court last year cleared him of 30 allegations made by Mr Jafri’s widow and others. It rejected testimony that he had told police not to confront Hindu mobs, ruling one witness, Sanjiv Bhatt, who worked in police intelligence, unreliable after others contradicted him. Other claims along the same lines were ruled out as hearsay. Over tea in his Ahmedabad home, an armed guard outside, Mr Bhatt still insists he told the truth. But as one senior journalist in Delhi puts it, “If it’s purely about the process of law, [Mr Modi] is okay. Even Congress does not argue that the judicial process has not been done.”

After the fire

A clean legal slate, however, does not mean Mr Modi was not, at best, fatally incompetent. Shankersinh Vaghela is not somebody anyone would go to for a dispassionate assessment; he and Mr Modi were rivals in the RSS and, having defected to Congress, Mr Vaghela now heads the opposition in Gujarat. But when he says, on the basis of his time as the state’s chief minister in the 1990s, that Mr Modi could undoubtedly have stopped the massacres, it is hard not to think he has a point. As he says, “If you are chief minister, with all kinds of powers...you own the state, the machinery, the police department.”

If there are doubts about what Mr Modi did at the time, there are also grounds for

concern over what he has done since. He was happy to have the gun-toting Ms Kodnani serve as one of his ministers up to her arrest in 2009. He shows no real willingness to shoulder responsibility for the inaction that led the Supreme Court to compare him and his officials to “modern day Neros”, or to express regret for it. Asked this year to show contrition, the best he could manage was to speak of a general capacity to feel sorrow, as one does when one sees a puppy run over. He argued to *The Economist* that subsequent electoral successes somehow absolved him, saying: “I have completed this examination and with distinction marks.” There is a darker reading of those successes, though. “What worries me”, says a young Muslim in Ahmedabad, “is that nobody here thinks Modi is innocent. They know what he did and they are okay with that.”

The communal violence that stains India’s recent history (see map on next page) has been connived in by other politicians. Mr Modi’s defenders rightly condemn Rajiv Gandhi, Rahul Gandhi’s father, for failing to stop the 1984 massacre of some 8,000 Sikhs across the country during which police also stood by. But there is a difference: Congress leaders are not drawn from a movement hostile to Sikhs or other minorities (Mr Singh is a Sikh). The RSS in which Mr Modi grew up is definitely hostile to Muslims. The BJP can win an election without any support from India’s 180m Muslims (it got 3.7% of their votes in 2009) and thus has no electoral imperative to speak to their concerns. In these circumstances its candidate’s record matters a lot.

Mr Modi has hardly been a model of reconciliation. The BJP fielded no Muslim candidates in the state’s regional elections last year, though it has done elsewhere. At a rally in November he allowed the celebration of two BJP politicians who had been arrested over recent anti-Muslim violence in Uttar Pradesh. But his rhetoric has softened. He does not style himself a “Hindu nationalist”, though he agrees that he is both those things. Today he insists leaders must be secular and emphasises that economic development trumps religious factionalism. At a rally in October he said “I want to ask poor Muslim brothers whether they want to quarrel with poor Hindus or fight against poverty. I want to ask poor Hindus whether their concern is disputes with poor Muslims or the fight against poverty...Let’s defeat poverty together.”

Putting economic development and poverty alleviation at the centre of the debate serves Mr Modi well. Gujarat’s economy has nearly tripled in size during his time in office; its GDP has grown by 10% a year, faster than India as a whole and roughly on a par with China. With 5% of India’s population, Gujarat now accounts for 16% of its manufacturing and about a quarter of total exports.

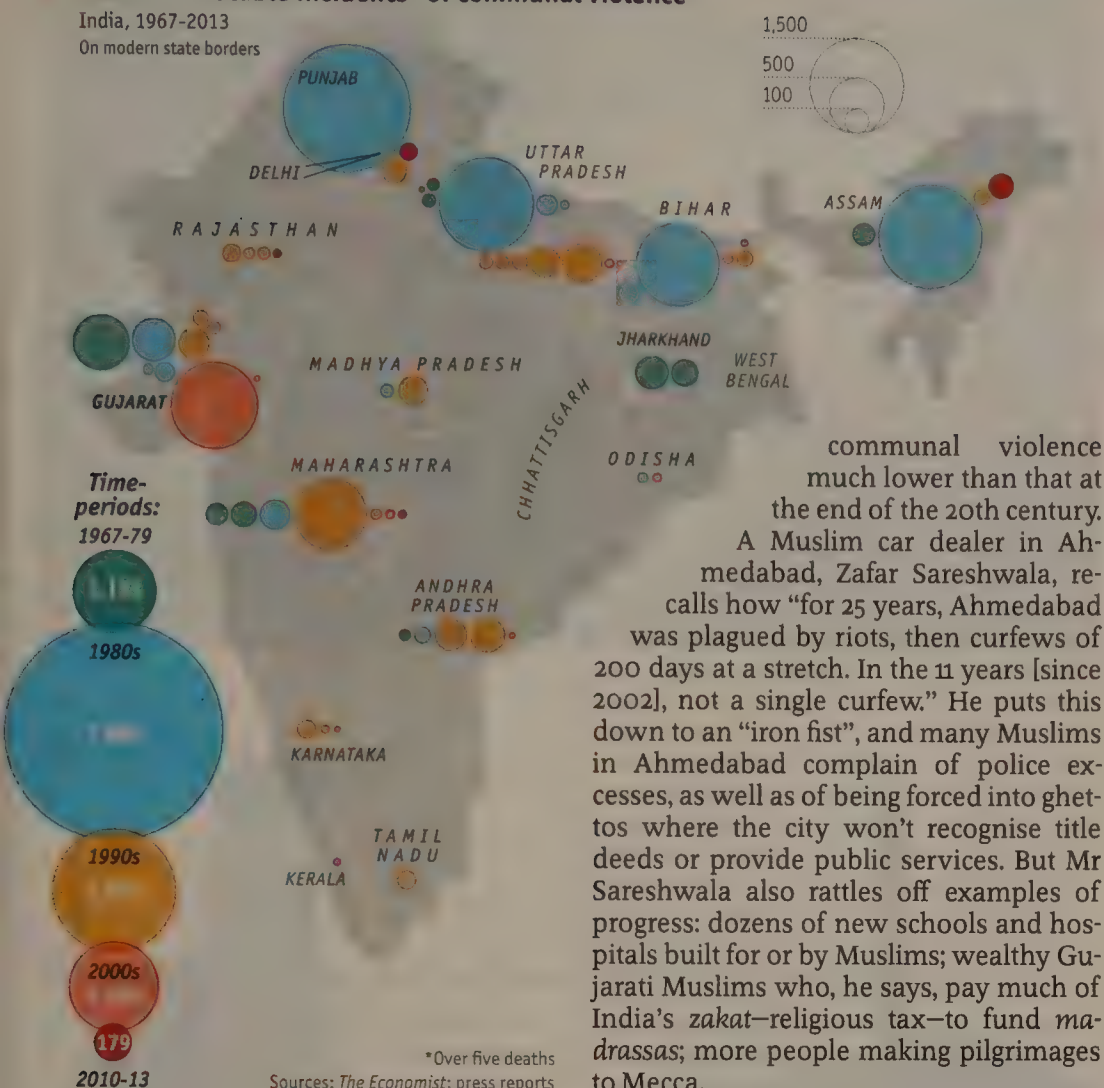


A comprehensive failure, and then some

Deaths in notable incidents* of communal violence

India, 1967-2013

On modern state borders



*Over five deaths

Sources: The Economist; press reports

communal violence much lower than that at the end of the 20th century.

A Muslim car dealer in Ahmedabad, Zafar Sareshwala, recalls how “for 25 years, Ahmedabad was plagued by riots, then curfews of 200 days at a stretch. In the 11 years [since 2002], not a single curfew.” He puts this down to an “iron fist”, and many Muslims in Ahmedabad complain of police excesses, as well as of being forced into ghettos where the city won’t recognise title deeds or provide public services. But Mr Sareshwala also rattles off examples of progress: dozens of new schools and hospitals built for or by Muslims; wealthy Gujarati Muslims who, he says, pay much of India’s *zakat*—religious tax—to fund *madrassas*; more people making pilgrimages to Mecca.

Unforthcoming on 2002, Mr Modi is happy to talk about how he has successfully tackled economic problems in Gujarat that beleaguer other states. Take three: supplying electricity; attracting investment; and cleaning up the bureaucracy.

Mr Modi boasts that “24-by-7, 365-days-uninterrupted three-phase power is available to each and every village in the state”. This success came in part from letting the market work. In 2003 he broke up a deeply indebted power company and split supplies for farmers (who get power for eight hours a day) from those for other consumers (who pay a market price but get electricity all day). He made clamping down on illegal access to the grid a police priority.

A reliable grid with profitable electricity supply companies is not the only infrastructural success. Gujarat has good gas supplies, too, and Mr Modi says there is broadband access in every village; its roads and ports are in good repair. Mr Modi has managed to increase capital spending even as he has reduced government debt as a proportion of GDP. This helps to attract investors, both from abroad and elsewhere in India: Gujarat drew more investment than any other state, or any other state bar one, in six of the past ten years.

As for keeping government clean and effective, Mr Modi likes to boast that with no family to favour he must be honest. He

prevents corruption in others, he says, through a mixture of leadership—“Unless and until you inspire the people, you will not get results”—and close monitoring. His unwillingness to let political colleagues take charge of state-run companies, thus preventing them from being milked for political or private gain, was one of the things that drove a wedge between him and the RSS during his early years in power.

None of these achievements is flawless. The 2011 census found over a million Gujarati households still without electricity. Mr Modi’s methods of luring investors may be focused too much on big companies; generous grants of land and tax holidays may be unsustainable. A new World Bank study ranks Ahmedabad as an easier place to do business than 12 other big Indian cities, but it rates four other cities as better still, reflecting difficulties enforcing contracts, paying tax and dealing with courts that could slow investment.

Time to talk

His management style and general caginess lead even some of Mr Modi’s supporters to worry that he is a secretive loner who refuses to delegate. There are also allegations of the abuse of state power during his time in office, often involving Amit Shah, his closest political confidant. Mr Shah was forced to resign as a minister in 2010, after being charged with extortion and murder over a series of police killings (the case has yet to come to trial). He is still close to Mr Modi, working as his campaign manager in Uttar Pradesh. A recent scandal centres on accusations that Mr Shah used intelligence officers to spy on a woman with whom Mr Modi was apparently besotted. A close supporter airily says such “snooping for private ends is a very common thing to do”. But it remains both illegal and disturbing.

Mr Modi would face more constraints, and enjoy fewer direct powers, as prime minister of India than he does as chief minister of Gujarat. It is unclear whether he would be good at holding together a coalition (which any BJP-led government would surely be), delegating to others, negotiating on legislation or responding to crises as they arise. But the record from Gujarat suggests he thinks hard about policy, has clear ideas of how he would promote higher economic growth and social development and would prefer to bolster overall wealth creation than promote social welfare schemes.

If economics alone mattered, Mr Modi’s achievements in Gujarat suggest he is the man best placed to get India moving again. The problem is that political leaders are responsible for more. For all his crowds of supporters, his failures in 2002, and his refusal since to atone for them, or even address them, leave him a badly compromised candidate with much left to do. ■

► This tide has floated all boats. Two decades ago 43% of Gujarat’s Muslims were poor, a bit better than the national average of 51%, according to a study by Arvind Panagariya and Vishal More, of Columbia University, using a definition of poverty similar to that of the World Bank. Now only 11% of them are, compared with a national average of 25%. Central-government welfare programmes have played a part in this, but only a part.

State of success

Christophe Jaffrelot of Sciences Po in Paris argues that Gujarati Muslims—about a tenth of the population—remain much worse off than other Gujaratis. Wage rates for casual urban workers, who are mostly Muslims, are among India’s lowest despite the state’s prosperity. But then Gujaratis do less well on various social indicators than Indians in some other states. Amartya Sen, an economist, notes that its infant-mortality rate is more than three times that of Kerala, and overall life expectancy ten years lower. Jagdish Bhagwati, another economist, retorts that rapid growth under Mr Modi is bringing sharp social gains in its wake, and that Gujarat will catch up with the best before too long.

It is certainly true that economic growth has coincided with a period of

This holiday, get home phone for \$20/mo.

AT&T Wireless Home Phone with unlimited nationwide calling.



\$20 per month

- Easy to **set up in just seconds.**
- Keep your **existing home phone.**
- Keep your **number.**

Rethink Possible® 

1.888.996.3175

att.com/wirelesshomephone

Visit a Store

Wireless Home Phone ("WHP") is a Commercial Mobile Radio Service. It is mobile and may be used in the U.S. with home phone equipment in different locations. For emergency calls, you may have to provide your location address to the 911 operator. WHP device has a backup battery in the event of a power outage. However, a landline phone requiring separate electric power to operate (e.g., cordless phones) connected to a WHP device will not place or receive calls (including 911 calls) during a power outage. Provides voice service only. Not compatible with home security systems, fax machines, credit card machines, and medical alert/monitoring systems. DSL customers should contact their provider before transferring a phone number to ensure uninterrupted DSL Internet service. May not be compatible with DVR/satellite systems; please check with your provider. Activation fee up to \$36/line. Geographic, usage, and other restrictions apply. Coverage and services not available everywhere. Taxes and other charges apply. Visit a store or att.com/wirelesshomephone to learn more. ©2013 AT&T Intellectual Property.



The budget deal

Making nice

WASHINGTON, DC

A new budget deal makes another government shutdown unlikely

PEOPLE who inhabit the corridors of Congress spend much of their time discussing why things are not happening. The list of things left undone includes ambitious plans, such as immigration and entitlement reform, as well as prosaic ones that are part of the basic function of government, such as writing a budget. Since 2010 there has been no budget conference between the two houses because the parties were so far apart. But on December 10th something happened. Budget negotiators for the two sides announced that they had reached a deal. It still needs to pass Congress, but that is a lot more likely now that there is something to vote on.

The negotiation, led by Patty Murray, a Democratic senator from Washington state, and Paul Ryan, a Republican congressman from Wisconsin (pictured together), succeeded where past deals had failed by playing with words. Republicans rejected tax rises; Democrats insisted on new revenues. So the proposal would raise a fee paid to the government by airline passengers. (It's a fee, you see; not a tax.)

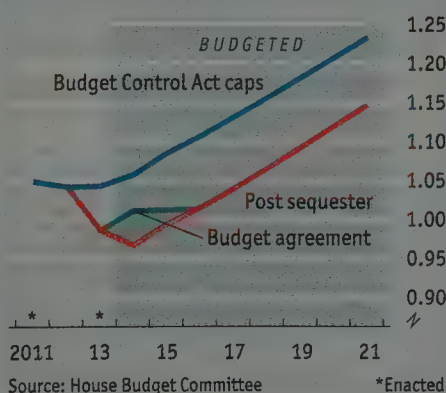
Democrats wanted higher discretionary spending (a category that includes roads and schools but not Social Security). Republicans wanted more deficit reduction. The proposal reduces the sequester, a package of deliberately unpleasant budget cuts that kicked in after the two parties failed to do a deal in 2011, and shifts the money freed up by this to the discretionary bit of the budget, while making some sav-

ings to mandatory spending, thereby reducing the deficit. By this definitional alchemy, the parties can say they will raise spending and cut the deficit without imposing new taxes.

In practice the proposal swaps some near-term spending cuts for spending cuts later. A mix of tax rises and the expiry of older stimulus measures means that the federal budget for 2014 will remain a drag on the economy. But that effect will be smaller than it would have been without a deal. This is significant. Since 2011 each new spending deal has added heavier fiscal weights to the economy's ankles than the previous one. This one switches direction. Pantheon Macroeconomics, a research firm, estimates that changes in federal taxing and spending in 2014 will be a

A tweak not a fix

Discretionary spending, \$trn



Also in this section

- 36 The politics of low pay
- 38 Pragmatic Kentucky
- 40 Obamacare's shaky fix
- 40 Dreaming of a hip-hop Christmas
- 41 How voter ID really works in Texas
- 41 Satanism in Oklahoma
- 42 Lexington: The marriage gap

For daily analysis and debate on America, visit

Economist.com/unitedstates

Economist.com/blogs/democracyinamerica

drag of around 0.5% of GDP compared with 1.5% this year.

What is in the deal, though, is perhaps less important than the fact that there is one. If the two sides had not reached agreement, the chances of the government shutting down again in January would have increased. That now looks unlikely. The agreement has been attacked by Heritage Action and the Club for Growth, two conservative organisations that hold some sway over the Republicans who control the House of Representatives.

But House Republicans are probably having too much fun pillorying the botched rollout of Obamacare to bring on another shutdown. Mr Ryan, a former vice-presidential nominee, has enough clout to bring enough Republican lawmakers with him, even if they do not much like what they are voting for. And the deal eases some of the pressure on the defence budget, which will help bring Republican security hawks on board. (This group is smaller than it once was, but still matters.) Some House Democrats will vote no, but probably not enough to sink the deal.

If the agreement's prospects look fair, that is mainly because it avoids, once again, the difficult choices. It does not address the long-term viability of Medicare, Medicaid or Social Security. Extra long-term unemployment insurance, due to expire at the end of the year and the subject of fierce argument, was left out. The debt ceiling, the source of recent anxiety, has been left for another day, too. The most politically bold item is a requirement for federal workers to contribute a little bit more to their generous pension pots, but this applies only to those hired after December 31st. In short, negotiators have drawn up a pact to keep the lights on. As *The Economist* went to press, it had yet to pass Congress. But compared with recent happenings on Capitol Hill, the deal counts as progress. ■

The politics of low pay

Raising the floor

BALDWIN PARK, CALIFORNIA, AND NEW YORK

America's minimum-wage debate has rolled round again

HE LIKES the work; but at \$9.60 an hour, stacking the shelves at a Walmart in east Los Angeles does not pay Anthony Goytia enough to cover the bills for his family of five, he says. He supplements his fortnightly pay of \$560-600 with the odd catering job, by subjecting himself to clinical trials of a treatment for his psoriasis, and with federal and state assistance. He was recently approved for food stamps; that should make Christmas a little jollier.

America is going through one of its periodic fits of agony over the minimum wage. In recent weeks several states and municipalities have approved rate rises; most dramatically in SeaTac, a suburb of Seattle consisting of a large airport, where voters raised the hourly figure to \$15. On December 4th Barack Obama called for a higher federal minimum wage. He has previously suggested that it rise from \$7.25 to \$10.10. It has lost 5.8% of its purchasing power since it was last raised, in 2009.

Between 1979 and 2007 the incomes of the top 1% of American earners rose by 275%, according to the Congressional Budget Office. Those of the bottom 20% rose by 18%. Had the federal minimum wage kept up with productivity gains since 1968 it would have reached \$21.72 last year, estimates the Centre for Economic and Policy Research (CEPR), a leftist think-tank. Campaigners gripe that the government should not have to top up the pay of workers like Mr Goytia (who agrees); this "hidden subsidy" amounts to \$7 billion in the fast-food industry alone, according to one study.

There is no consensus among economists about the extent to which minimum wages kill jobs. But recent research suggests that relatively low rates (America's is



38% of the median wage) are not harmful, and that small increases can be beneficial. They not only lift workers' purchasing power; they also make them more loyal, and so reduce the amount companies must spend recruiting new people.

Mr Obama will not convince Republicans in the House of Representatives to vote for an increase. But by raising the idea he may help Democrats in next year's mid-term elections, particularly in red states where local minimum-wage rises are on the ballot. Republican voters do not recoil at the prospect; 58% told Gallup in November that they would support a rise to \$9 an hour; overall, 78% of Americans agree.

Advocates for a higher federal minimum wage point out that, in real terms, it is well below its peak in 1968. That is true, but misleading. First, the big drop came in the 1970s and early 1980s, not recently. Second, as David Neumark of the University of California, Irvine, has pointed out, the earned-income tax credit, a federal subsidy for low-wage workers, makes up for a lot of the losses.

Moreover, the proliferation of state and municipal minimum wages means that the federal rate covers far fewer people than it once did. In 1979 7.9% of workers toiled at or below the federal minimum wage; last year 2.8% did. From January 1st 21 states will have a minimum wage higher than the federal one (see map). More may introduce one next year; others will raise theirs further.

Variable minimum wages make sense for a large country with variable costs of living. But they can have unexpected consequences. The campaign in SeaTac became a big issue during the concurrent

mayoral race in Seattle; there, both candidates backed a \$15 rate. John Burbank of the Seattle-based Economic Opportunity Institute now reckons the city will approve a \$15 rate next year. Washington, DC and two neighbouring counties recently co-ordinated huge rate rises to stop firms playing them off against each other.

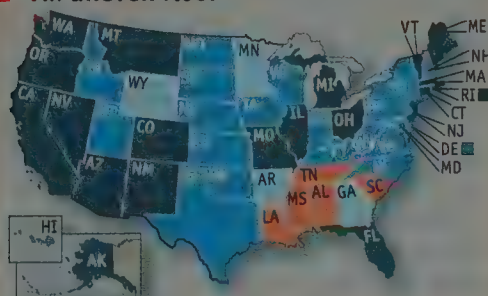
Such quirks are inevitable when politicians are left in charge. Most countries with a minimum wage outsource rate-setting to independent technocrats. Eleven American states and several cities index their rates to inflation; this can be awkwardly inflexible when economies stumble, but it does mean firms and workers avoid nasty shocks. Elsewhere, and at the federal level, minimum wages are subject to the fancies of politicians and voters.

Some agitators for higher pay focus on specific industries or companies, such as McDonald's. Last week hundreds of union-backed workers went on the latest of a series of nationally co-ordinated strikes calling for a \$15 wage. That figure, according to a recent business-backed survey, would lead to "personnel decisions" (management-speak for cutting jobs or hours) at 86% of fast-food and other franchises. Ron Shaich, the boss of Panera, a chain of 1,800 eateries, is an exception in the industry; he backs an increase in the minimum wage so long as it applies to everyone.

Other business leaders feel differently. The solution to the "wage problem" said Jim McNerney, the boss of Boeing, this week, is not a minimum wage but "an economy that's growing". But John Schmitt of the CEPR says the demand for a \$15 wage is best understood as a broader push for collective-bargaining rights. Perhaps some employers can be convinced to pay higher wages as part of a strategy to reduce job churn, he suggests.

This happened with caretakers (janitors) in the late 1990s, after a decade of campaigns. An industry once staffed by ill-paid part-timers now pays workers in unionised cities \$15 or more an hour. ■

An uneven floor



State minimum wages

- Higher than federal*
- Same as federal*
- Lower than federal*
- No minimum wage law

*Federal minimum wage is \$7.25 per hour
Source: Department of Labour

Room to rise

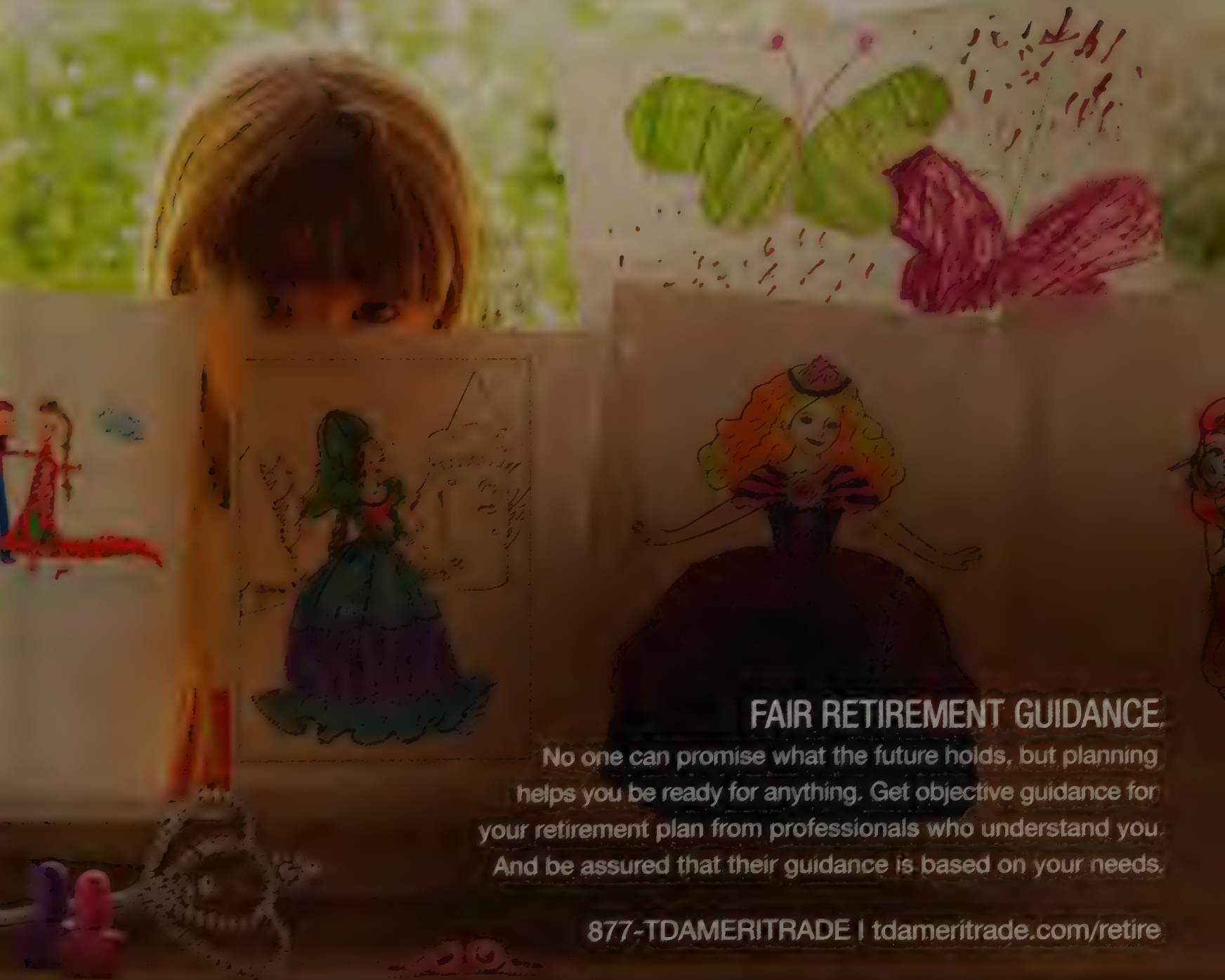
Hourly minimum wage
Selected OECD countries, 2013, \$



Sources: OECD; The Economist

*2012

I WANT TO LIVE HAPPILY EVER AFTER.



FAIR RETIREMENT GUIDANCE

No one can promise what the future holds, but planning helps you be ready for anything. Get objective guidance for your retirement plan from professionals who understand you. And be assured that their guidance is based on your needs.

877-TDAMERITRADE | tdameritrade.com/retire

Open a new account or roll over an old 401k, and get up to \$600.



Ameritrade



All investments involve risk, and successful results are not guaranteed. Offer valid through 4/30/14. Funding/rollover of \$25,000–\$99,999 receives \$100; funding/rollover of \$100,000–\$249,999 receives \$300; and funding/rollover of \$250,000 or more receives \$600. Cash bonus subject to nine-month funding-duration condition. See Web site for details and other restrictions/conditions. TD Ameritrade reserves the right to restrict or revoke this offer. This is not an offer or solicitation in any jurisdiction where we are not authorized to do business. TD Ameritrade, Inc., member FINRA/SIPC/NFA. TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank. © 2013 TD Ameritrade IP Company, Inc. All rights reserved. Used with permission. 36 USC 220506

Health and education in Kentucky

Where Obamacare dare not speak its name

CLAY COUNTY

Kentuckians can't stand Barack Obama, but like some of his policies

THE president is unpopular in Kentucky. In its mountainous east, his name is radioactive: in Clay County, for example, he won only 15% of the vote to Mitt Romney's 84% in 2012. Even Democrats have doubts: in the state's primary that year 42% of them chose "uncommitted" rather than vote for Barack Obama.

Yet some of his policies are popular—so long as they are not labelled as having anything to do with him. Take the Affordable Care Act, better known as "Obamacare". The people whose job it is to persuade rural Kentuckians to sign up for it play down any connection with Washington, DC, or even with Frankfort, the state capital.

Cara Stewart, an Obamacare promoter in Clay County, is hard at work wooing parents and grandparents at a school Thanksgiving pageant. A relentlessly upbeat young woman, she bounces from table to table where folks are cramming themselves with turkey and mashed potatoes. She starts by reassuring them that she comes from eastern Kentucky—she is one of them, not a carpetbagger.

She tells them that they have "a health-care option". She informs a grandmother that "almost everyone can get some assistance". The grandmother, who is in remission from cancer, learns that her husband could receive Medicaid (health care for the cash-strapped: a government programme that many Americans are qualified for but do not realise it). An older man with a natty moustache says he has heard that the (federal) government's health-care website isn't working. "That doesn't matter for us," says Ms Stewart. "Here in Kentucky we have our own website. And it works."

Kentucky is the only southern state that is enthusiastically implementing Obamacare. Its Democratic governor, Steve Beshear, agreed both to expand Medicaid (an important plank of the reform) and to set up a state-run health-insurance exchange, known as "kynect". By December 5th nearly 454,000 Kentuckians had undergone preliminary screening to determine eligibility for Medicaid or subsidised coverage, and almost 72,000 had enrolled. Only in Washington state has a larger proportion

of people applied for coverage.

In other states, Obamacare promoters are called "navigators". In the Bluegrass State they are called "kynectors"—and they operate in all 120 counties. Keeping them local, says Carrie Banahan, who heads the kynect office, fosters trust: "People know them; they go to church with them; maybe their kids go to school together. They're comfortable filling in applications and sharing personal information with them."

Bluegrass, Blue Shield

This is just as well, for Kentuckians are an unhealthy bunch: more likely to smoke or die of cancer than people in any other state, and in the worst ten for heart disease and obesity. Some 17.5% of Kentuckians under 65 lack health insurance. A white paper for the state's healthcare agency estimated that 276,000 will be able to get subsidised coverage through kynect (federal subsidies cover people with incomes up to 400% of the federal poverty line); another 308,000 will be eligible for Medicaid.

For a relatively poor state like Kentucky, embracing Obamacare is a neat way to grab federal subsidies. Uncle Sam initially covers 100% of Medicaid costs for new enrollees; in 2020 it will still cover 90%. The white paper forecasts a net economic benefit of \$15.6 billion for Kentucky between now and 2021, as federal cash pours in and pays for thousands of new jobs. The most powerful Kentuckian in Washington, DC, Mitch McConnell, the top Republican in the Senate, calls Obamacare a "disaster". But it also represents a big transfer of

wealth from other states to Kentucky.

Mr Obama's school policies are also more popular in Kentucky than the man himself. It was the first state to adopt "Common Core" standards, in 2010: these set out essential skills that pupils are expected to learn each year. Mr Obama's administration did not create Common Core, but it has made some federal funds conditional on accepting it. So far 45 states have done so, but some red-state governors, such as Rick Perry of Texas, consider it an unwelcome federal intrusion. Legislation to repeal it is pending in at least 12 states.

In Kentucky, however, criticism has so far been muted. Terry Holliday, the state's education commissioner, puts that down to a "massive communications campaign". Mr Holliday and Dave Adkisson, the head of Kentucky's Chamber of Commerce, toured the state making speeches about the three Es: education, employment and the economy. "We explained to people that standards are just strategies to help Kentucky," says Mr Holliday.

Such advocacy matters: one of the political risks of stricter standards is that they reveal how badly Kentuckian children are really doing. When Kentucky first administered the new tests in 2012, the share of elementary-school pupils who were rated "proficient" in reading plunged from 76% to 48%; in maths, from 73% to 40%.

Grumbles are growing. On November 13th a father of two Kentucky pupils sued Mr Beshear and other state officials, complaining that the standards were adopted "without sufficient knowledge or understanding of the costs of such action, in violation of state law". Still, Mr Beshear is holding firm: he has invested a great deal of political capital in both reforms. He says that Kentuckians are "practical", and "want their political leaders to make things happen to improve their quality of life." Perhaps this is why he is more popular in Kentucky than Mr McConnell, who faces a difficult re-election battle next year. ■



Plenty of Kentuckians need doctors

Corrections: In our special report on America's foreign policy (November 23rd), a photo showing military personnel in Iraq wrongly suggested that they were American. They were in fact British.

And in our article on Southern history last week ("Not even past", December 7th), we confused the Confederate battle flag with the Confederacy's first flag, often called the "Stars and Bars". Sorry.

ENJOY WHAT YOU GET
AND GET WHAT YOU ENJOY



ALL NEW

2014 **CTS** SEDAN

272 HP 2.0L Turbo with 295 lb-ft torque

Magnesium paddle-shifters

Bose® Active Noise Cancellation

cadillac.com/CTS

Cadillac

Health reform

Faint signs of recovery

NEW YORK

Good and bad news for Obamacare

MORE than two months after Barack Obama's health exchanges opened, they seem to be working, up to a point. On December 11th health officials announced that nearly 365,000 people chose an insurance plan through the exchanges in October and November. That is a big improvement. In October 106,185 people selected a health plan, with just 26,794 signing up through the troubled federal exchange. The new numbers are a two-month tally, apparently to avoid double-counting. In October and November 364,682 people chose an insurance plan, with 137,204 signing up on the federal exchange.

Enrolment will probably surge this month. Officials toiled to patch up Healthcare.gov, the shopping website for 36 states, by December 1st. Consumers must buy insurance by December 23rd if they want to be covered in January.

Several crucial numbers remain under wraps, however. The report does not say how many enrollees are young, which matters because Obamacare relies on young healthy people to subsidise the sick. The report also explains how many people have chosen a plan, but does not describe how many enrolment forms have been successfully sent to insurers. Without this step, it is unclear how many of the 364,682 people who have chosen a plan will actually have coverage.

But the figures do reveal two interesting trends. First, just 41% of the 2.3m people deemed eligible for insurance on the exchanges also qualify for subsidies. The Congressional Budget Office had expected subsidised shoppers to comprise 86% of enrollees on the exchanges in the first year.

Second, 1.9m of the 2.3m eligible shoppers have yet to pick a plan. Many have doubtless been stymied by software glitches. Others may not like the insurance on offer, or may be undecided. Many health plans sold on the exchanges come with high co-payments and deductibles (the money a patient must spend before his insurance kicks in). Most also offer only a narrow choice of doctors and hospitals.

Obamacare's design all but guaranteed this. Insurers must comply with numerous rules. For example, plans must cover a list of "essential health benefits" and must not charge more to sick patients. They must also have a set "actuarial value" of bronze (which means that the insurance covers 60% of an average patient's health costs), silver (70%), gold (80%) or platinum (90%).

These standards make it easier to compare plans. But they also give insurers little room to differentiate their products. To compete on sticker price, they can lower costs by restricting patients' choices of clinics. They can also compete by varying deductibles and co-payments.

High deductibles have some merits. The young and fit expect to incur few medical costs, so they are more likely to sign up for insurance if premiums are low (which typically means that deductibles are high). Poor, sick Americans, however, may find that high deductibles hurt. Obamacare limits out-of-pocket spending, but a chronically ill man earning \$23,000 will have to pay \$5,200 in cash before reaching the cap, according to Avalere Health, a consultancy. One day, this may prompt Democrats to rethink the rules for the exchanges. For now, they must hope that the young sign up. ■

Christmas music

Dreaming of a hip-hop Christmas

WASHINGTON, DC

Holiday jingles in a divided America

A GENERATION ago American stores and malls could pretty much choose from two sorts of canned music at Christmas time, recalls an industry insider: "One with baby Jesus, and one without." Today, to put America's ever-more diverse shoppers in a holiday mood, providers of in-store media may offer a dozen "blends" of piped festive music. From Dynamic Media, a Michigan-based outfit, come such offerings as "A Country Christmas" (big in the Midwest and bluegrass country) and the Latino holiday hits demanded by clients in Texas, California and Florida.

A market leader, Mood Media, owns

the Muzak brand, once famed and feared for piping the same syrupy tunes into every elevator in America. The firm now offers a far more varied menu, with 30 music channels at Christmas alone, tailored to such outlets as Christian bookstores, black barbershops and bilingual malls where Anglo and Hispanic customers mingle.

Mood Media provides tunes (as well as smells from a 1,500-strong scent library) to over 300,000 American commercial locations. Family-friendly shops tend to shun raunchy Christmas lyrics such as Lady Gaga's "Take off my stockings; we're/ Out spreading Christmas cheer." Mood Media offers "retail-appropriate", non-explicit Christmas songs; that includes hip-hop tracks, such as "Toy Jackpot" by Blackalicious and "Christmas in Harlem" by Kanye West ("Won't you come sit on my knee?/ And tell me everything that you want/'Cause, baby, I'm your Santa Claus").

The segmentation of Christmas partly reflects the science that now goes into selling to smartphone-toting consumers, who are at once better-informed and more distracted as they shop. Retailers use "day-parting" to target music to such different audiences as daytime mothers or after-school teens. Restaurants use high-tempo songs to make lunch-time clients eat fast, and slow tunes to persuade evening diners to linger (and run up bar bills longer than a six-year-old's letter to Santa).

The demand for specialist holiday music also reflects broader social trends, says Eric Spangenberg, dean of the business school at Washington State University and a marketing expert. Christmas, a nostalgic time, prompts folk to reach for childhood memories and their deepest values, he says. Even in piped music, America stands revealed as "not so much a rainbow nation as a segmented nation", in which each group holds fast to its identity. Bing Crosby and Nat King Cole once crooned of sleigh bells and roasting chestnuts to a whole nation. Jollity is more complicated now. ■



Christmas songs don't have to be tacky

Voter identification

Mischief at the polls

AUSTIN

How Texas's new voter-identity law works in practice

WHEN Texas passed its new voter-identification law, in 2011, the Republicans who dominate state politics rejoiced. This, they said, would help guarantee "the integrity of state elections".

Nonsense, said Democrats, who accuse Republicans of using voter-ID laws to make it harder for poor people and minorities to vote. Republicans retort that electoral fraud is real. In 2012 Texas's attorney-general, Greg Abbott, boasted that his office had caught more than 50 cheats between 2002 and 2012. That is not a big number, among the more than 13m registered voters in Texas. But it is not nothing.

In November Texans (at least, those with a state-issued photo ID) had their first chance to vote since the law was implemented. The delay was caused by the usual legal wrangling round voter-ID laws. In 2012 a federal court blocked Texas's law from taking effect. Similarly strict regulations were already in place elsewhere, but under the Voting Rights Act of 1965 Texas was subject to federal "preclearance" on any new voting rules. "Preclearance" is a sort of naughty step for states that, in the past, have hindered voting by minorities.

The Texan law was therefore in limbo until June, when the Supreme Court addressed the Voting Rights Act in *Shelby County v Holder*, a dispute between an Alabama county and the attorney-general of the United States, Eric Holder. The court held that the preclearance requirement was constitutional in itself, but that the formula used to establish preclearance had to be binned. It had not been revised since 1975, and therefore punished states for the sins of officials who retired long ago. Texas first came under preclearance because the 1975 revision added a note about jurisdictions that provided voter information only in English, despite having a lot of Spanish speakers. Yet Texas has changed dramatically in the past four decades. It is much less bigoted and more Hispanic: no sane candidate today would fail to produce Spanish campaign ads.

The effect of the *Shelby County* ruling was that all the states and parts of states that had been subject to preclearance were freed to make their own electoral rules, at least for now. In theory, Congress has the authority to amend the law with a new preclearance requirement; in theory, Congress can do a lot of things. Democrats are worried. Mr Holder promises to bring Texas back under federal oversight. Under

Religious pluralism

Beelzebubba

OKLAHOMA CITY

Satan threatens the heartland

IN 2009 Oklahoma's legislature passed a bill ordering that a monumental version of the Ten Commandments—which it cited as "an important component of the moral foundation of the laws and legal system of the United States of America and of the state of Oklahoma"—should be placed in the grounds of its state capitol building. The bill specified that Oklahoma would not pay for the monument; Mike Ritze, the bill's sponsor, and his family donated it to the state. It was erected on the capitol's north side in November 2012, and there it still stands.

The text is (not surprisingly) identical to that on a Ten Commandments monument in the grounds of the Texas capitol in Austin, which, Mr Ritze's bill slyly

notes, the "Supreme Court ruled constitutional" in 2005. In that case, *Van Orden v Perry*, the court held that the Ten Commandments "have an undeniable historical meaning" as well as a religious one. It also found that a message does not violate the First Amendment's prohibition of "an establishment of religion" simply because it has some religious content.

The Oklahoma chapter of the American Civil Liberties Union (ACLU) is not convinced. Last August it sued Oklahoma, not for violating the United States constitution, but for violating a section of Oklahoma's, which forbids using public property to support any system of religion "directly or indirectly".

That was just the start of the trouble. On December 2nd the Satanic Temple, an organisation based in New York, launched a campaign to donate a monument of its own, to be placed next to the Ten Commandments monument. It promised that the monument would be "public-friendly" and something children could play on. Lucien Greaves, a spokesman for the Temple, said the organisation has received "a huge outpouring of support from folks in Oklahoma", and sees no reason why the design—due to be revealed this week—should be rejected. Its monument would appease the ACLU's concern that by having a Ten Commandments monument Oklahoma is favouring one faith over the others.

Yet if it chooses to reject the monument (a very small "if") Oklahoma believes it has Supreme Court support for that, too. In *Pleasant Grove v Summum*, the court unanimously ruled that a city need not allow displays from one religion just because it has already permitted a display from another. Oklahomans may yet keep the Devil at bay.



The Devil enjoys annoying Okies

Section 3 of the Voting Rights Act, he argues, judges can order that jurisdictions with egregiously burdensome rules can be forcibly enrolled in the preclearance club.

In the meantime, the results of the November elections in Texas surprised both sides. More than 1.1m Texans voted: turnout was two-thirds higher than in the previous off-year election. Whatever Democrats say, that hardly suggests widespread voter suppression. Republicans note that it is not hard to get a photo ID: Texans without driving licences can get voter-ID cards free from the state. Or they can use their concealed-handgun licence, naturally.

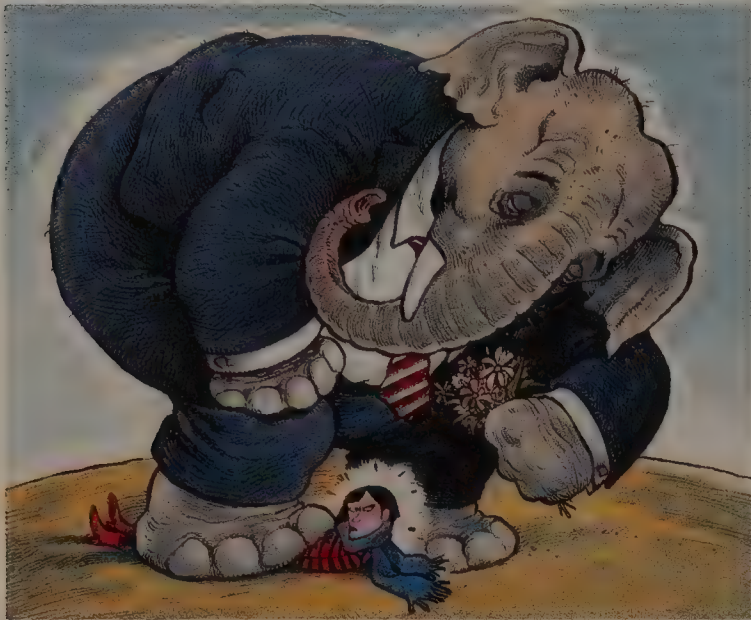
Republicans, for their part, were embar-

rassed by an unanticipated problem affecting a number of voters who had dutifully brought their photo ID and their registration card: discrepancies abounded. Women, it turns out, often change their names. Men, it turns out, may use nicknames.

The fix offered at the polls was not an onerous one; Texans with accidental aliases were asked to sign an affidavit swearing that they were themselves. Still, it was exactly the kind of bureaucratic silliness that Republicans are supposedly against. Among those asked to provide an affidavit was Mr Abbott, the attorney-general, who goes by "Greg", though christened Gregory Wayne. ■

Lexington | The marriage gap

Republicans should worry that unmarried women shun them



THE slow decline of marriage is upending American politics. In the 2012 presidential election, unmarried women accounted for nearly a quarter of all votes cast. Their votes went decisively to Barack Obama, by 36 percentage points.

You might not think that a group that runs from not-yet-married college students to inner-city single mothers and divorced professionals had much in common. Yet unmarried women are spectacularly loyal to the Democrats—if they vote, which many do not. (Widows are outliers, voting more like married women.) The “marriage gap” dwarfs the sex gap, by which women as a whole have long favoured Democrats: Mr Obama beat Mitt Romney by a less dramatic 11 points among female voters.

Like boffins squabbling about quantum physics, some political types wonder whether “unmarried women” amount to a discrete voter block at all, or whether the label merely sweeps up various left-leaning slices of the electorate: ie, younger voters, poorer ones, more secular Americans and non-whites. That would be no more than an interesting metaphysical question, but for three big and inter-related developments.

First, unmarried women are one of America’s fastest-growing groups, leaping from 45m in 2000 to around 53m today—making them, in theory, a larger block of eligible voters than blacks and Hispanics put together (though in reality the groups overlap).

Second, Democrats—notably the Obama crowd—have found ways to map the electorate with unprecedented precision, using everything from polls and doorstep canvassing to commercial consumer databases. In the Dark Ages (ie, before 2008), campaigns might have blanketed majority-black city blocks or mostly-Democratic neighbourhoods with appeals to register and vote, while saturating the airwaves with paid advertising. That wasted time and money on those who always vote anyway, those who never vote, and those who (gasp) might vote Republican. Now the talk is of target “universes”: focusing resources on those who need just a nudge to come out and vote the right way.

It turns out that two principal campaign tasks—persuading swing voters, and turning out loyal but sporadic supporters—are made far more efficient if marital status is added to the mix, alongside such markers as sex, race, income and geography. That holds equally true when buying advertising alongside the right

TV shows, and when leafleting selected homes in specific streets. Nationally, Page Gardner, a voter-registration expert, has crafted models that allow unmarried women to be found with great accuracy. Conservatives are still playing catch-up.

In November’s election for governor of Virginia—a race won narrowly by Terry McAuliffe, a Democratic fundraiser and member of Bill and Hillary Clinton’s inner circle—fully two-thirds of voters chosen for special attention by Democratic get-out-the-vote teams were unmarried women, says Michael Halle, a McAuliffe campaign guru. Unmarried women voted for Mr McAuliffe by a thumping 42 percentage-point margin over his Republican rival, Ken Cuccinelli, arguably handing him victory. (Married women backed Mr Cuccinelli by nine points.)

For an explanation, consider a third big development: the Republicans’ embrace of policies and slogans that might have been laboratory-crafted to upset and unite different types of unmarried women. A case in point is Mr Cuccinelli, whose candidacy dismayed establishment Republicans as much as it excited conservative activists. He is a shrink-the-government zealot: targets for his ire extend to municipal swimming pools (for crowding out the private sector). He is also a social conservative who opposes abortion, gay rights and no-fault divorce (as a state legislator, he proposed a bill to make divorce harder if one party disagreed). Poll-testing of different attacking strategies found single women outraged by Mr Cuccinelli’s social crusades. “Divorce was a big one,” Mr Halle fondly recalls.

Pragmatic Republicans know the party needs to tone down its social conservatism. But even so, it may struggle with singletons. Celinda Lake, a Democratic pollster, says single women of differing races, ages, classes and religiosity are united by a sense of fending for themselves. That makes them more likely to favour a strong role for government as a safety net. Republican appeals for the state to “leave us alone” sound different to women who are in fact on their own: especially those trying to support children.

The view from Virginia

That is reflected in Virginia. Tawana Bryant mobilises black voters for the National Association for the Advancement of Coloured People in Richmond, the state capital. Ms Bryant, who also ministers to single mothers at the Worship and Praise Deliverance Church, takes a conservative line on abortion. That used to prompt her to vote Republican in state and county elections. Economics changed her mind. Many single mothers work long hours in jobs that offer no health coverage and leave them struggling to feed their kids, Ms Bryant says. With Republicans vowing to cut food stamps and fight any expansion of subsidised health care, she argues, “You have to go with the Democrats.”

Republicans are not about to ditch their belief that children do better when their parents are married, nor their suspicion that Mr Obama’s “Hubby State”, as some call it, undermines strong families. But some think it would be wise to try harder not to repel single women. Katie Packer Gage, a co-founder of a Republican consultancy aimed at women, suggests some modest steps, among them understanding that the world looks “a little different” for unmarried women. Jennifer McClellan, a Democratic state legislator for some tough bits of Richmond, makes a related point: the single mothers she represents know that life is “complicated”, and want politicians who recognise that too. Such appeals to compassion and pragmatism have favoured Democrats to date. It would not kill Republicans to listen too. ■



Venezuela's municipal elections

Maduro's hollow victory

CARACAS

The new president has strengthened his grip on power, but undermined both democracy and the economy

ON THE face of things, Venezuelans were simply voting for their mayors and local councillors on December 8th. But the opposition leader, Henrique Capriles, had called for a massive protest vote that he hoped would turn into a plebiscite on the erratic, economically incompetent and increasingly totalitarian rule of President Nicolás Maduro (pictured), the successor to the late Hugo Chávez. By that standard, Mr Capriles failed.

The opposition coalition, called the Democratic Unity alliance (MUD), made gains, especially in urban areas. The four biggest cities, including Caracas, now have opposition mayors. In all, the MUD won nine of the 23 state capitals. The most painful loss for the ruling Unified Socialist Party of Venezuela (PSUV) was Barinas, home of the Chávez family. But outside the main cities, the electoral map remains *chavista* red, a reflection of the government's stranglehold on rural Venezuela, which has most of the 337 mayoralties.

For the MUD, the bitterest blow was that the core opposition vote, discounting candidates who challenged the unity ticket, came to less than 44%, while the PSUV and its allies took almost 50%. That compared with Mr Maduro's margin of victory of just 1.5% over Mr Capriles in the presidential election last April, a result whose accuracy the opposition still disputes. A gleeful Mr Maduro called on Mr Capriles to resign as governor of Miranda state,

where "he lost the plebiscite"—the PSUV won the state capital, Los Teques. Mr Capriles replied that the government should recognise that "the country is split into two halves". Unfortunately for him, the president's half is the one with all the levers of real power.

That was apparent in the government's no-holds-barred campaign. Vicente Díaz, the only non-government member of the five-person electoral authority (CNE), called it the most unequal in the country's modern history. Mr Maduro spent an average of two hours a day on live television, but the broadcast media—now either state-controlled or cowed into obedience—ignored Mr Capriles. Candidates and leaders of the MUD were threatened with jail. The entire apparatus of government was deployed to help the PSUV. Ambulances, as well as vans belonging to the state-owned power company, were used to transport campaign propaganda. The government decreed December 8th to be "Loyalty to Chávez Day". The chairwoman of the CNE defended the decree as a government prerogative.

Mr Maduro was equally ruthless in subordinating economic policy to the imperative of electoral victory. In November, he forced retailers to slash prices of goods ranging from television sets to cars. This certainly boosted his previously lukewarm support. But it came at the cost of further weakening the economy. Faced

Also in this section

44 Mexico's energy reform

44 The ousting of Bogotá's mayor

45 EU-Mercosur trade talks

For daily analysis and debate on the Americas, visit Economist.com/americas

with dwindling foreign-currency reserves, inflation of over 50% and a black-market dollar at over ten times the official rate, the government is expected to devalue in the next few weeks. That will add a further twist to the inflationary spiral. Although the government may tweak the foreign-exchange controls that have helped cause shortages of basic goods, few expect it to abandon Chávez's populist policies that got the country into its mess.

As the economy has worsened, discontent has spread beyond the middle class. Mr Maduro's pre-election antics will do little to ease the pain of two hours spent queuing for milk and toilet paper. But there is not much that opposition mayors can do about the soaring cost of living and empty supermarket shelves.

So the opposition faces a dilemma. As an electoral alliance, its strategy is to encroach steadily on the once seemingly impregnable voter base of *chavismo*. But the government is continuously moving the goalposts. When it seemed that the MUD might win a majority of seats in the legislature, the government changed the electoral system: the MUD, with almost half the vote, was awarded just 65 of 165 seats. When Mr Capriles challenged the result of the April election, the CNE and the supreme court refused to review the evidence. Opposition mayors and state governors find their budgets, largely dependent on transfers from central government, slashed and their powers transferred to unelected officials.

The next election, for parliament, is not due until late 2015, so the opposition risks sinking into irrelevance unless it can turn itself into a resistance movement. What no one can predict is whether Venezuelans will meekly accept a sharp decline in their living standards, and, if not, when and how they might express their anger. ■



Reforms in Mexico

Oil's well that ends well

MEXICO CITY

A bumpy year ends on a high note

IN A "Three Stooges" episode, a bungled attempt to find uranium ends with Joe merrily sitting on top of a gushing oil well shouting "Oil's well that ends well." President Enrique Peña Nieto must be feeling the same way.

Some of the reforms he promised have been clumsier than expected, and the economy has almost stalled in his first year in office. But after an all-night session featuring rowdy protests by the left, on December 11th the Senate approved an epoch-making constitutional reform of energy that went far beyond initial expectations. If the bill passes the lower house, as expected, Mexico will for the first time in 75 years give up an oil monopoly that many of its people see as a national heirloom. Eventually it could bring a wave of much-needed private investment into oil and gas.

Financial markets reacted with a burst of enthusiasm absent for most of the year. The reform was bolder than a bill proposed by Mr Peña in August. As passed by the Senate, it offers private firms a variety of contracts, including licences to explore and drill for oil, and would allow them to book oil reserves, or the expected revenue-streams from them, for financial-reporting purposes (though hydrocarbons below the ground remain state property.) It ends the

monopolies of Pemex, the state oil company, and the Federal Electricity Commission, which must now compete against private power-generators to supply the grid. It creates a sovereign-wealth fund to invest oil revenues for the long term (though only after covering any shortfall in the government budget). In a last-minute amendment, it would also strip the powerful and murky oil-workers' union of its five seats on Pemex's 15-member board, which should help make Mexico's largest company more efficient.

The potential benefit from the reform will depend on the strength of secondary legislation early next year that will specify, among other things, what contracts will be offered for which type of oil or gasfield, and what royalties and taxes the government will take. Potential investors will want to see how trustworthy two revamped energy regulators are before committing to big contracts. And the contracts may well require the imprimatur of the Supreme Court. Outside investment is unlikely to flow until 2015 at the earliest.

"Whether you are for or against it, the energy reform is radical," says Guillermo Valdés of GEA, a consultancy. To muster the two-thirds majority needed to approve it, Mr Peña's Institutional Revolutionary Party combined with the conservative National Action Party, which drafted many of the reform's bolder changes. Some analysts think the leftist Party of the Democratic Revolution played its cards badly, missing a chance to turn Mexico into a greener, more innovative energy producer. Instead, it wrapped itself defiantly in the flag while hoping to force a referendum on the energy reform.

Only days earlier, Congress approved a separate constitutional reform breaking another taboo by allowing legislators and mayors to run for re-election. That should make them more accountable to voters and encourage longer-term decisions. But it was accompanied by a confusing change that gives what was the Federal Electoral Institute (IFE) responsibility for local elections but leaves local electoral authorities in place as well. José Woldenberg, IFE's most respected former boss, compared the new National Electoral Institute to the old joke about the camel: a horse designed by a committee.

Despite Mr Peña's frenetic reform programme, Mexicans seem increasingly gloomy. A GEA poll released this week showed that respondents have become more worried about security—especially in their local communities where many have seen increases in kidnapping and extortion—and have less trust in democracy. Mr Peña must hope that the energy reform will now give him the last laugh. But if he cannot improve the economy and give Mexicans a sense of security, no one will be laughing with him. ■

Democracy in Colombia

The bumptious functionary

BOGOTÁ

An arbitrary administrative lynching of a bad mayor

ANYONE who happened to be in Colombia's capital a year ago saw three days of chaos. Mounds of rubbish piled up on street corners as a municipal agency struggled to implement a new waste-management system after Gustavo Petro, Bogotá's left-wing mayor, allowed the contracts of private firms that had been providing the service to lapse. Faced with a public outcry, Mr Petro called the private firms back.

Since then, rubbish has been collected regularly. But those three days have cost Mr Petro his job and his political future. On December 9th Colombia's inspector-general deposed the mayor and banned him from public office for 15 years for violating the principles of the free market and putting public health at risk.

The inspector-general is a post unique to Colombia, charged with scrutinising public officials, including elected ones, and penalising them if they break the law. That in itself is odd: in most countries, such tasks are left to prosecutors, courts and voters. To make matters worse, the incumbent inspector, Alejandro Ordóñez, appears to have abused his post for political ends. Mr Ordóñez, an ally of Álvaro Uribe, Colombia's former president, is a conservative and an ultra-traditionalist Catholic.

By common consent, Mr Petro, a former guerrilla with an arrogant personality and ▶▶



Petro turns martyrdom to advantage

an authoritarian streak, has not been a good mayor. But even his critics were shocked by his ousting. The penalty seems wildly disproportionate to his mistakes. The previous mayor, Samuel Moreno, who faces criminal charges for allegedly having taken kickbacks for construction contracts, received only a 12-month suspension from Mr Ordóñez. Two congressmen convicted of ties with right-wing paramilitary groups by the Supreme Court were cleared of administrative wrongdoing by Mr Ordóñez in May. He has also threatened disciplinary action against judges and notaries who register gay marriages.

Mr Petro claimed that his ouster was a coup against his “progressive” administration. He banned bullfighting, tried to curb property developers and defended gay rights. In response to the ruling, he harangued tens of thousands of supporters and municipal workers from a balcony in the Plaza Bolívar on consecutive nights. In exaggerated terms, he likened his fate to that of the murder of hundreds of leftist political activists in the 1980s as a manifes-

tation of the “fascism” of Colombia’s ruling elite.

His fate also reverberated in Havana, where the FARC guerrillas are negotiating a peace agreement with the government. Last month they reached a partial accord on how the FARC might participate in democratic politics. Calling the ruling against Mr Petro a “serious blow” to the peace process, the FARC declared: “with a simple signature, Ordóñez gave us rebels a lesson in what democracy means to the oligarchy in Colombia.”

That will not trouble Mr Ordóñez, who opposes the talks. Both he and Mr Petro are moral crusaders, pushing opposing agendas. Both had been preparing for a possible presidential run in 2018. Unless his appeals prosper, Mr Petro is out of that (although one poll in Bogotá showed support for him up from 30% to 50% after the ruling). As for Mr Ordóñez, he looks to have overreached. There were calls this week for his office to be abolished, or at least for his powers to be curbed. That would be a blow against arbitrary power. ■

EU-Mercosur trade talks

Strategic patience runs out

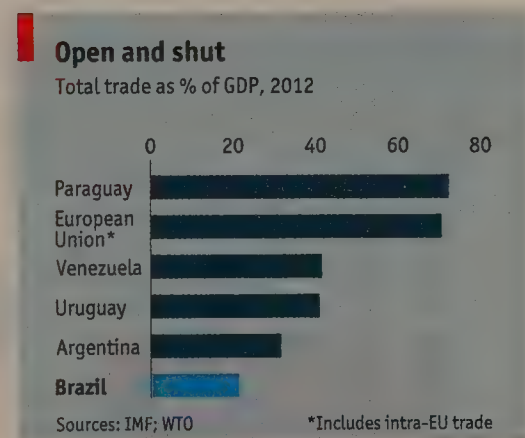
BRASÍLIA

At last, Brazil is keen on a trade deal

WHILE Roberto Azevêdo, the new Brazilian boss of the World Trade Organisation, armtwisted his way to a multilateral deal in Bali (see page 78), back home another trade negotiation is reaching a crucial stage. The European Union and Mercosur—comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela—have set an end-of-January deadline to swap opening bids in a long-mooted bilateral deal. (Venezuela, only recently admitted and in terrible economic shape, will not take part.)

Success would help stagnant Europe to export its way back to growth and open new markets for Mercosur’s efficient farmers. Failure would leave Europeans overpaying for food and South America’s biggest economy, Brazil, languishing on the sidelines of globalisation. And Mercosur, which in recent years has neglected trade liberalisation in favour of leftist political rhetoric, would dwindle even further into irrelevance.

Trade talks between the EU and Mercosur started in 2000. They stalled over similar issues to those which dogged the WTO negotiations: European unwillingness to expose cosseted farmers to competition and South American desire to shelter industry from high-quality imports. But changing calculations have brought both



sides back to the table.

Europe now sees a new market for its manufacturers in the emerging middle classes of Brazil. Austerity makes EU farm subsidies ever more unaffordable: though recent reforms have trimmed them, they still gobble €50 billion (\$70 billion) a year. And cheaper food looks tempting to politicians fearing the electoral consequences of falling living standards.

Mercosur’s renewed interest in a deal is in part down to the expiry of existing trade preferences. In January all Mercosur countries except Paraguay lose the preferential access the EU grants to developing countries, since they are now deemed too rich

to need it. But within Brazil, at least, the shift in attitudes goes deeper, says Carlos Abijaodi of the National Confederation of Industry. Until recently its businessmen thought that their vast, sheltered domestic market meant they could profit in splendid isolation. But imports from China have shown that even swingeing tariffs cannot keep out competition, if it is cheap enough. “They’ve learnt that they can’t protect themselves from globalisation.”

Even FIESP, the São Paulo industrialists’ lobby, which has long promoted industrialisation via high tariffs and big subsidies, is now changing its tune. A recent policy paper called for trade agreements with not only the EU but also the United States. Brazilian industry could compete on equal terms if the government tackled the long-standing *custo Brasil* (“Brazil cost”) by cutting red tape and taxes and improving infrastructure, says Rubens Barbosa, a former diplomat involved in Mercosur’s creation who now advises FIESP.

Mr Barbosa blames Mercosur’s failure to strike trade deals on the left-wing statist now in power in Argentina and Brazil, who are unpersuaded by liberalisation and see trade in political rather than economic terms. In the past 13 years more than 350 trade deals were registered at the WTO. But Mercosur signed just four, with Peru, Egypt, Israel and the Palestinian Authority. Big regional negotiations, such as one between the EU and United States, raise the prospect of a world divided into trade blocks, with Mercosur left out.

That seems not to worry Argentina. Under President Cristina Fernández, it has become more protectionist, even against Mercosur. Brazilian exporters of food, footwear and textiles have become used to their products being held up at the border, and to delays in payment because of exchange controls. Brazil’s exports to Argentina slumped by 21% in 2012 before recovering a bit this year. But its government’s doctrine of “strategic patience” with its erratic neighbour means it rarely kicks up much of a fuss.

Brazil’s new-found determination to strike a deal with the EU may provoke a showdown. Along with Paraguay and Uruguay, it has prepared its “offer list”, stating the goods and services it is willing to include in a deal; it is also prepared to liberalise inward investment and government procurement. A goal agreed in 2010 of including 90% of imports was treated as “gospel” by Brazil, says an official with knowledge of the deal. But Argentina has prepared a less ambitious offer for trade in goods, and is dragging its feet on services, investment and government procurement. Brazil is pushing it to hit the deadline. If it doesn’t, Brazil would be willing to discuss a two-speed solution, says the official, leaving Argentina on the sidelines. Even strategic patience has its limits. ■

Perfect for
the traveler
on anyone's list.

Rosetta Stone® software doubles as a stocking stuffer and an ego-booster. Our method is easy, fast, and effective. Know someone with the travel bug? Our award-winning software is a holiday gift that'll take them where they want to go.

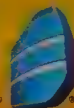
MSRP ~~\$499~~ | MLE \$425

FREE 2-DAY SHIPPING

PROMO CODE exs123

(866) 365-2308 | RosettaStone.com/voice

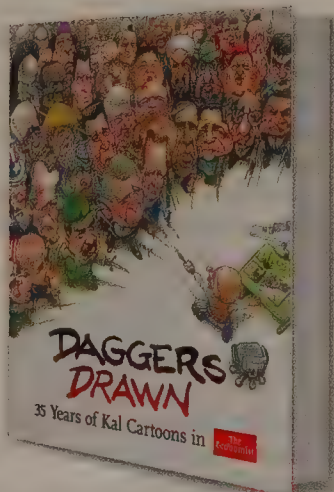
SCAN FOR
FREEDEMO

Rosetta
Stone. 

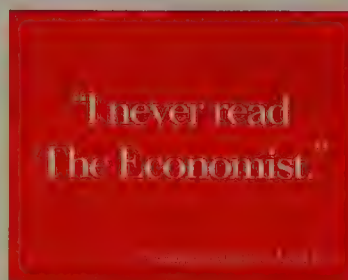
©2013 Rosetta Stone Ltd. All rights reserved. Free shipping for products shipped within the contiguous United States only. Offer limited to TOTAL CD-ROM set purchases made directly from Rosetta Stone and cannot be combined with any other offer. Offer valid through December 31, 2013. Rosetta Stone TOTAL includes interactive online services that require online access and are offered on a subscription basis for a specified term. Online services must be begun within 90 days of purchase or are subject to forfeiture.

The gift that keeps on giving

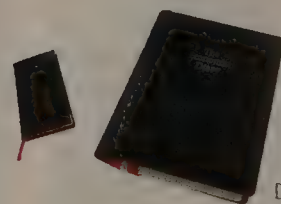
Inspiring gifts from The Economist Store collection



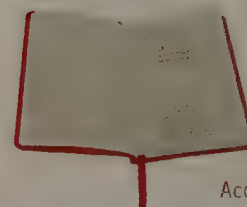
Books and e-books



Posters and prints



Diaries



Accessories





Thailand's political crisis

Deadlock

BANGKOK

The prime minister calls an election, but that is not enough to satisfy her opponents

BY MID-AFTERNOON on December 9th the leader of Thailand's would-be revolution, Suthep Thaugsuban, was celebrating the capture of Bangkok's government district from atop a makeshift stage. Before him the prime minister's office stood closed and empty, surrounded by over 100,000 of his devoted followers. Just a handful of soldiers were left to guard the perimeter gates. After a month of mounting protests, Mr Suthep had asked for a big turnout for one last push to oust the government—and he got it.

Mr Suthep refers to the government as the “Thaksin regime”. The prime minister is Yingluck Shinawatra, but the power behind her is Thaksin Shinawatra, her elder brother, who was ousted as prime minister in 2006 in an army coup. Since Ms Yingluck came to office in a landslide in 2011, he has called the shots from self-imposed exile in Dubai. Yet now Ms Yingluck's grip looks distinctly shaky. Even before the protesters seized the entire government district, she announced that she would dissolve parliament and call an election, for February 2nd; her hope was to persuade the anti-government protesters to go home. “Let the people decide the direction of the country and who the governing majority will be,” she said in a televised address on December 8th. It was not sufficient to appease the fiery Mr Suthep.

With the crowds at his back, Mr Suthep

(pictured, above, at bottom-centre) insists that Ms Yingluck should not even stay on as caretaker prime minister until the election. He says that she and her government must resign to make way for his own “people's council” of “decent men” who would draw up measures to wipe all influence of the Shinawatra clan from Thai politics. Some of Mr Suthep's street-fighting men even want Ms Yingluck to leave the country altogether, joining her brother in exile. (He faces two years in prison for corruption and abuse of power should he return.) Mr Suthep has invited all in the civil service to work with him to set up, in effect, an alternative government. All his “orders” (as he calls them) and demands amount to little less than an attempted coup.

Ms Yingluck insists that she will remain in office until the election. But Mr Suthep's uncompromising ferocity has plainly rattled her. She is a relative novice in the turbulent world of Thai politics, never having held public office before being picked by her brother to lead his Pheu Thai party to victory in the 2011 elections. In a speech on December 10th she seemed almost tearful as she defended both herself and her family, saying plaintively that she had “backed down to the point where I don't know how to back down any further.”

Yet if Ms Yingluck is going wobbly, her core “red shirt” supporters, those thousands of activists loyal to Mr Thaksin, cer-

tainly are not. They have vowed to defend the democratically elected government. There are plans, should Ms Yingluck fall, to move the government to the red-shirt heartlands in the north and north-east as a counterweight to Mr Suthep's insurrection in the capital and the south. That would further entrench the bitter divisions between the two parts of the country, divisions that some argue have now made Thailand virtually ungovernable.

But if Ms Yingluck can make it through to next year, she knows that she has a good chance of winning a fresh mandate at the polls. Indeed, a chief reason why Mr Suthep and his allies do not accept an election as the way out of the impasse is that they would probably lose. After all, the Pheu Thai party and its earlier incarnations, all led by Mr Thaksin or his retainers, have won the last five general elections, the latest by a big margin. For however vast the anti-government crowds are in Bangkok and certain southern Thai cities, out in the populous rural north and north-east it is a different story. There Mr Thaksin and his party long ago captured the votes of millions of relatively poor rice farmers, and they have been stacking up the parliamentary majorities ever since.

By contrast, the opposition Democrat Party to which Mr Suthep belongs has a dismal record at the polls. His people try to argue that somehow all the victories of the Thaksin parties have been bought, with “bribes” of lavish public spending on rice farmers, among others. Yet precious little evidence suggests the elections were systematically rigged.

Much now hangs on how the Democrats respond to Ms Yingluck's call for an election. Their MPs resigned en masse on December 8th to join the protests (eight of their number, including Mr Suthep, had al- ▶▶

Also in this section

48 A riot in Singapore

48 Japan's secrecy law

49 Indian politics

52 Banyan: Crying uncle in North Korea

For daily analysis and debate on Asia, visit

Economist.com/asia

Economist.com/blogs/banyan

ready done so a month earlier, in order to lead the demonstrations). The Democrats claim that parliament has abused its power and is now illegitimate, for instance because it attempted to introduce a fully elected senate, as well as an amnesty bill designed chiefly to allow Mr Thaksin back. Now they have to decide whether to throw in their lot with the protesters completely, or to contest the election.

One senior Democrat (and former foreign minister), Kasit Piromya, argues that the party "cannot avoid the election, as a democratic party". Others may not agree; after all, the party has boycotted an election before, in 2006. If the Democrats do not take part, it would doubtless undermine the credibility of their opponents' victory. But it would deal yet another blow to democracy in Thailand, already in a precarious state. ■

Singapore

Trouble in Little India

SINGAPORE

Nearly unbelievable: a full-scale riot in the obedient city-state

THEIR impeccable city is supposed to be so law-abiding that policemen are rarely seen on patrol. Imagine the shock, then, when Singaporeans woke up on December 9th to learn of running street battles in the city centre the night before. Singapore had not seen a riot since 1969.

The trouble started when an apparently drunk construction worker from south India, Sakthivel Kumaravelu, was turfed off a crowded bus after making a scene. Next, the bus driver turned a corner and heard a loud thud. Mr Kumaravelu was under the wheel of his bus. He died instantly.

It happened in Little India, a city quarter where thousands of South Asian migrant workers gather every Sunday, often their only day off, before being bused back to dormitories on the fringes of the island. Very soon after the accident as many as 400 workers had massed and proceeded through the streets as a rampaging mob for about two hours. In clashes with police, 27 officers were injured, along with firefighters and paramedics. Police cars were overturned, and an ambulance was set ablaze.

Riot police and a contingent of Gurkha soldiers put an end to things. Some 27 migrant workers have so far been arrested and charged over the riot, with thousands more interviewed. Those convicted could face as long as seven years in jail, as well as a caning.

Booze seems to have fuelled the affray, and as a stopgap a ban on the sale and consumption of alcohol in Little India will apply this weekend. But alcohol alone would not have turned hundreds of usually peaceful workers into a belligerent mob.

The prime minister, Lee Hsien Loong, promises a committee to look into the reasons for the riot. It will need to look at the sometimes dire state of migrant workers' rights and working conditions as a contributing factor. Singapore relies heavily on cheap migrant labour, with about 350,000 workers in the booming construction industry alone. The rules are strict (no marrying Singaporeans, for instance). The work is sometimes dangerous, and workers can be poorly paid or fleeced by unscrupulous agents.

Singapore's huge influx of migrant workers is a hot political issue. Singaporeans complain that they are taking local jobs. In response, the government has ordered companies to hire fewer foreigners. This riot will doubtless feed into that debate. Mr Lee has already appealed for people not to let the event "tarnish our views of the foreign-worker community here." ■

Japan

Potent protests

TOKYO

An unpopular new secrecy law dents the prime minister's popularity

IN A country that thinks ill of its political classes, support for Shinzo Abe has remained uncannily high since he came to office a year ago in his second stint as Japan's prime minister. People approve of him, especially his strategy of dragging the economy out of deflation and low growth. But on December 6th the government rammed through the Diet an unpopular law that greatly increases the penalties for leaking (widely defined) state secrets. The cabinet's approval ratings tumbled. Mr Abe, who fell from power in 2007 after a series of blunders, has for the first time lost some of his shine since his comeback.

The final vote on the bill in the Diet's upper house came just after China declared a new air-defence zone in the East China Sea covering uninhabited islands controlled by Japan. That bolstered Mr Abe's argument that Japan needs stricter rules on secrecy to strengthen national security. America, its chief ally, has long complained that Japanese officials and servicemen let slip too much secret information. Punishments for leaking important state secrets will be increased, from a year in prison now to a maximum of ten years. Public opposition has been fierce, from freedom-of-information advocates to newspapers fearing being muzzled.

The government of the Liberal Democratic Party (LDP) strong-armed the bill through the session of the diet that has just ended, including by sacking opposition heads of committees. It all but dispensed with public consultation. The Japan Restoration Party, which had co-sponsored the bill, abstained from voting as a protest against the haste. Another co-sponsor, Your Party, looks in danger of splitting over the bill (though intraparty tensions had been building before it).

In several polls Mr Abe's ratings have tumbled by around ten percentage points since a month ago, to below 50%. They remain relatively high for a Japanese prime minister, but a further fall could spell trouble. With the law safely passed, Mr Abe this week admitted that he should have explained its contents more carefully. The law does not come into effect for another year. The government hopes opposition will die down. Most of the public, it reckons, accepts the need to strengthen national security in an increasingly tense region.

Yet opposition comes not only from left-leaning groups but also from the mainstream. An association of doctors and den- ►►



They partied like it was 1969

► tists—staunchly conservative folk—banded together to hold a press conference to protest against the bill on December 5th. A group of 31 academics calls it “the largest-ever danger to democracy in post-war Japan”. Over 250 film-makers, actors and writers, including Hayao Miyazaki, a celebrated animator, have come together over the law. Four-fifths of Japanese polled by Kyodo, a news agency, say they want the draconian law revised or scrapped.

Had it wanted to, the government could have done much more to dampen criticism. It took until the final stages of the bill’s passage for the government to promise any independent oversight of what may be ruled to be a state secret. Ministers disagreed in public over the scope of the definition of secrecy, causing further alarm. A set of guidelines was proposed

on how journalists could report without running foul of the law—and then the idea was retracted. The LDP’s secretary-general, Shigeru Ishiba, made matters worse when in a blog he compared protesters to terrorists.

For now Mr Abe is likely to tack swiftly back to emphasise his economic agenda. But he also has plans next year to nudge Japan away from its post-war pacifist stance, with a reinterpretation of the constitution to allow the armed forces to come to the aid of allies under attack. Beyond that, Mr Abe’s most cherished wish remains to rewrite the liberal constitution which America wrote for Japan in 1946 in favour of something a lot more conservative and backward-looking. Like his illiberal secrecy law, any such moves may do little for his popularity. ■

to millions who had earlier backed the anti-corruption protests of Anna Hazare, a Gandhian activist. In Delhi 120,000 unpaid volunteers knocked on doors to discuss inflation and graft. Two populist promises, to halve household electricity bills and provide 700 litres of free water, went down well. Word also spread in old-fashioned ways: every motorised rickshaw in the city seemed to carry a poster of a broom.

For now Delhi, a city of 16m and India’s wealthiest, lacks a government. The AAP squeezed in second behind the established Bharatiya Janata Party (BJP), which got 32 seats, just short of a majority. Neither is ready to form a minority administration, nor to cut a power-sharing deal, with a national election only a few months away (by May at the latest). So Delhi will probably need to vote again next year.

Can Mr Kejriwal’s revolution break out beyond the capital? He has the ambition. He has studied Barack Obama’s internet fund-raising, the appeal of a populist ex-cricketer, Imran Khan, to young Pakistanis, and how Arab spring protesters communicated through social media. But he is also aware how difficult it is to turn a protest movement into a political one. The charisma of Mr Hazare, for example, would have been a huge asset for the party. But he keeps his distance, calling all politics irredeemably filthy.

The limits to the AAP’s potential are clear enough. Average incomes in Delhi are three times the national level, hinting at how the capital’s common folk have different worries to poorer rural ones. Mr Kejriwal could do well in India’s Hindi-speaking centre and north, notably in his native Haryana state, next to Delhi. But farther afield fewer would recognise him, despite his claim to have a network of offices in “every nook and corner” of the country.

Delhi is also unusual in that the fragmentation of politics seen in other states has come late to the capital region. It has never before had a party to garner non-Congress, non-BJP votes. Many other states have big third parties that dominate locally without securing a wider appeal. That leaves less space for newcomers such as the AAP to fill.

Yet the AAP will be relevant. The BJP expects to win the coming general election, but it needs strong support from middle-class city-dwellers who are most frustrated with Congress over corruption, a slowing economy and inflation. A strong showing for Mr Kejriwal complicates things. In Delhi the BJP would have won handsomely had it not been for the new party. Earlier polls suggested that many Aam Aadmi supporters would switch to the BJP for the national vote, but at the time it was assumed that the new party was not ready for a national push. After this week’s events, who knows what is possible? ■



Indian politics

Sweeping up

DELHI

A stunning debut for a left-leaning, anti-graft party

TAKE Arvind Kejriwal’s talk of “revolution” seriously. Back in June, crammed with this correspondent into a tiny Suzuki car in east Delhi, he predicted electoral triumph for his Aam Aadmi (“common man”) anti-graft volunteers. It sounded fanciful at the time. The Aam Aadmi Party (AAP) is just a few months old. Even as recently as late November Delhi’s chief minister for the past 15 years, Sheila Dikshit, was roundly dismissing Mr Kejriwal as an irrelevance.

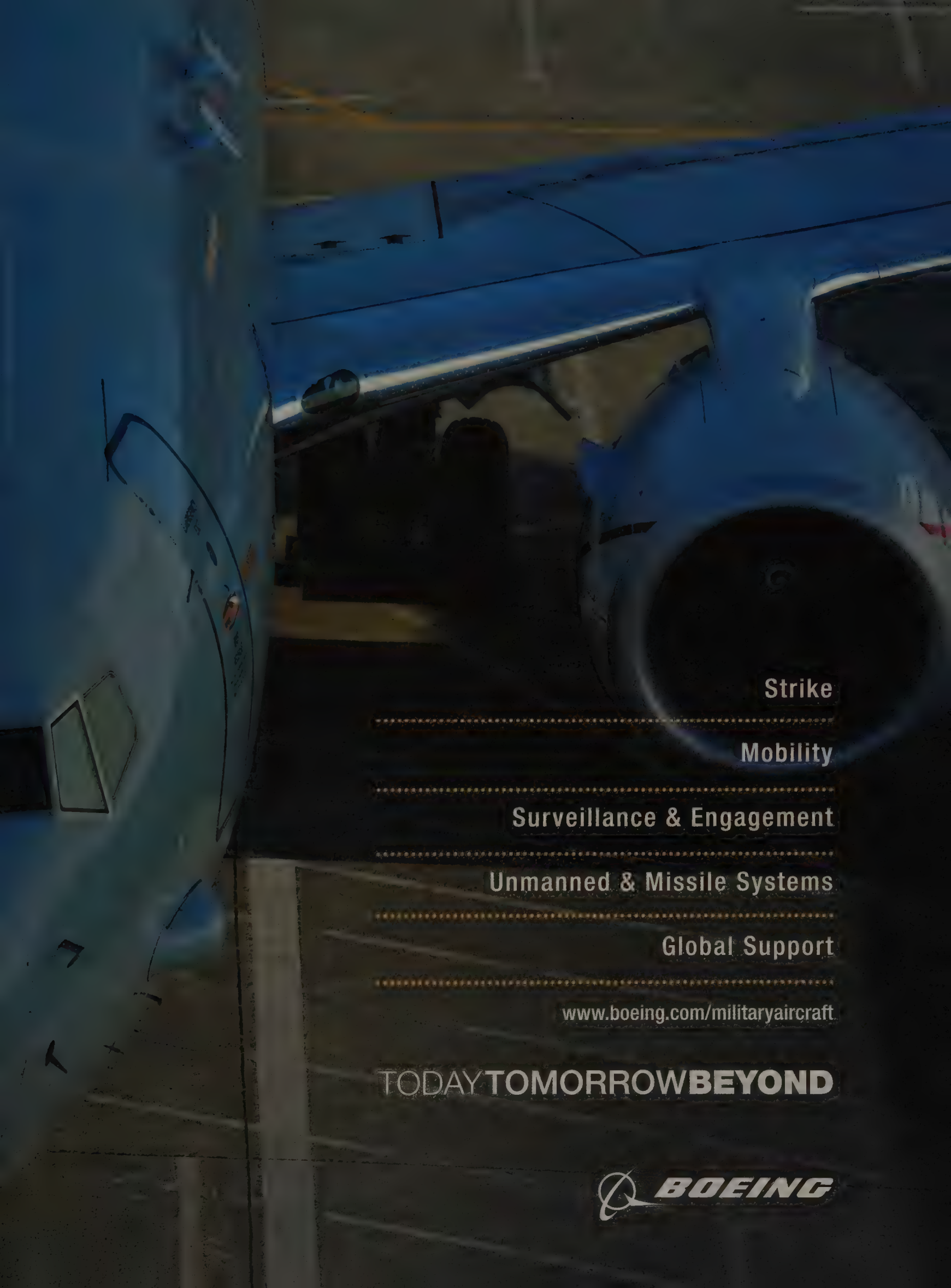
No longer. Thanks to Mr Kejriwal, Mrs Dikshit is out on her ear this week. Results

from elections in five states delivered mostly misery for the ruling Congress party. In the national capital region (in effect a state) the AAP annihilated it. Mr Kejriwal himself toppled Mrs Dikshit in a constituency that she thought was cast-iron, crammed as it is with *babus* (civil servants) and presumed staunch Congress loyalists. Across Delhi Congress won just eight of 70 assembly seats, its worst-ever result.

The AAP, with a broom as its party symbol, swept to 28 seats, a stunning debut for a group of political amateurs. They had raised funds with text messages sent

ENDURING FORCE





Strike

Mobility

Surveillance & Engagement

Unmanned & Missile Systems

Global Support

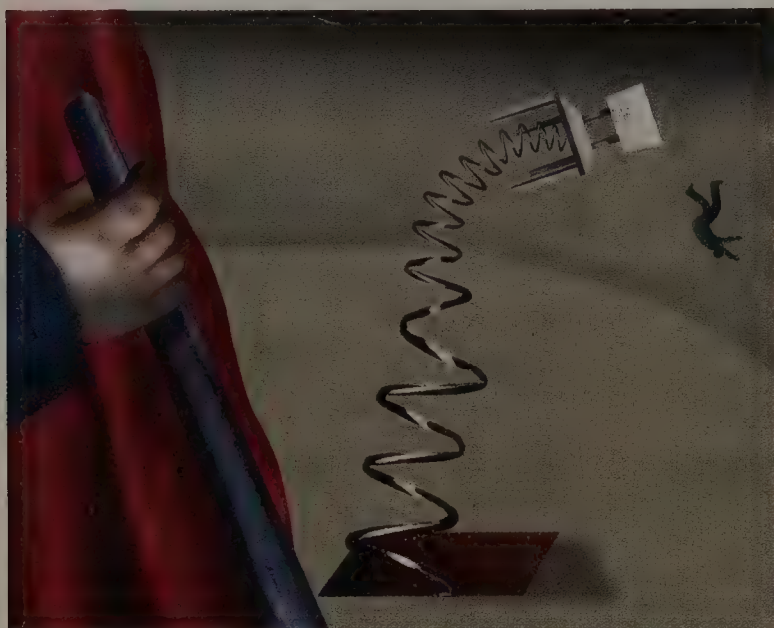
www.boeing.com/militaryaircraft

TODAY TOMORROW **BEYOND**



Banyan | Crying uncle

Kim Jong Un has managed the improbable feat of making North Korea even scarier



A MYSTERY solved! It has long baffled North Korea's leaders that vinalon, a wonderful textile their country makes from anthracite and limestone, does not dominate world markets—it is, indeed, used in no other country. Invented by a Korean who defected to the North in 1950, it is a triumph of *juche*, the official creed of self-reliance. But it has lost out to other products such as nylon. Foreigners, ever bent on doing North Korea down, claim this is because vinalon is stiff, resistant to dyes, of lower quality and more expensive.

In fact, it turns out that vinalon's chances were wrecked by a political conspiracy at home. North Korea's official news agency this week revealed that, "by throwing the state financial-management system into confusion" and other acts of treachery, the "Jang group" of evildoers, who have now met their comeuppance, made it impossible to develop *juche* vinalon as the country's two great late leaders, Kim Il Sung and his son, Kim Jong Il, had ordered. The gang had similarly sabotaged *juche* fertiliser and *juche* iron. The group was led by Jang Sung Taek, who cloaked his wicked intentions in the most deceptive of disguises: as the uncle by marriage and mentor to North Korea's young dictator, Kim Jong Un.

The purge of Mr Jang is extraordinary. Take his seniority. Experts quarrel about how important he truly was, and exactly when he started to fall from grace. But he is married to Kim Kyong Hui, the sister of Kim Jong Il, Kim Jong Un's father and predecessor. The couple were both Politburo members and had the rank of generals in the army. And most observers agree that Mr Jang was central to securing the succession for Kim Jong Un, whose father elevated him above his elder brothers not long before his death in 2011. Aidan Foster-Carter, an analyst of North Korea at Leeds University, notes that, at his brother-in-law's funeral, Mr Jang was beside the hearse, right behind the new leader.

A second surprise is the range of sins he is accused of: "such anti-party, counter-revolutionary factional acts as gnawing at the unity and cohesion of the party"; selling natural resources too cheaply; womanising; being "wined and dined at back parlours of deluxe restaurants"; taking drugs; squandering foreign currency in casinos. This hints at North Korea as it really is: a country racked by poverty and hunger, with a serious problem of meth-

amphetamine abuse, ruled by a thoroughly corrupt, self-indulgent and despotic elite. But it is perhaps the first time that North Korea's state media have approximated the truth. Most North Koreans must be surprised to learn that a man so close to the pinnacle of power was such a bad egg.

This leads to a third remarkable feature of the purge: the publicity surrounding it in North Korea's own press. The story first leaked abroad, through South Korea's spy agency, which reported that Mr Jang was in trouble and that two of his aides had been executed. Then Mr Jang started disappearing from North Korean television clips—airbrushed from where he had stood at Mr Kim's shoulder. Soon afterwards the purge made the front pages and television news in North Korea, with scenes of the moment of his detention, at an enlarged meeting of the Politburo, where he was yanked from his seat in front of his comrades. China has more experience of this kind of theatre, from the vilification campaigns of the Cultural Revolution to the juicy trial this year of Bo Xilai, a former Politburo member. North Korea, in contrast, has nearly always dispatched its disgraced cadres into silent oblivion.

All sorts of explanations have been offered for Mr Jang's downfall. Jang Jin-sung, a former North Korean propaganda official who defected to South Korea in 2004, thinks it unlikely that Kim Jong Un ordered his sacking. He suspects a hardline faction resentful of the uncle's influence. The South Korean press has speculated, rather wildly, that he sought to overthrow Kim Jong Un and have him replaced by an elder brother, Kim Jong Nam.

Whatever it was that prompted the purge, its effect has been to consolidate the callow Mr Kim's position. This is hardly good news. He has already established a record abroad of provocative belligerence, through tests of missiles and of a nuclear bomb. Some of his regime's policies make no sense. For example, a small but fast-growing tourist industry will hardly be helped by the detention of Merrill Newman, an octogenarian American veteran of the Korean war, who was on a visit back to the country. He was released this month after making a forced confession of past crimes.

So Mr Jang, though hardly an attractive figure, may actually be missed. He had a reputation as a pragmatist. He is credited with coming up with the ghastly if lucrative policy of turning North Korean diplomats into smugglers of drugs and counterfeit money to earn hard currency. More conventionally, he is said to have been an advocate of the sort of reforms that China promotes, through the opening of more special economic zones. He is said to have had ties to Chinese officials (selling them resources too cheaply, perhaps). His departure may thus mark a decline in Chinese influence. Since Western policy in North Korea these days boils down to the hope that China will persuade its ally to ditch its nuclear programme, that is hardly good news either. Kim Jong Un now presides over a country even more isolated than when either his father or his grandfather ruled.

Mourning a tousle-haired psycho-killer

It was hard to imagine that the outside world might ever miss Kim Jong Il. He presided over devastating famine at home, countless provocations abroad and a nuclear programme banned by the United Nations. Yet in his brinkmanship and chicanery he did, unlike his son, seem to know what he was doing; indeed, he was almost predictable. As his compatriots mark the second anniversary of his death on December 17th with the usual histrionic pagentry, tinges of regret may be felt in foreign capitals as well. ■

The
Economist

intelligent life

THE QUEST FOR
THE COELACANTH

HOW TO WRITE LIKE
SEAMUS HEANEY

WHAT'S THE BEST
WAY TO TRAVEL?

Children of Israel

The diaspora, c'est moi:
Adam Foulds on Jewishness

Hello Tomorrow



Fly in comfort to somewhere outside your comfort zone

Visiting somewhere new isn't just a vacation, it's an adventure. Experience your trip of a lifetime with Skytrax Airline of the Year. Enjoy globally inspired cuisine, up to 1600 channels of inflight entertainment, and relax on your lie-flat seat in business class.

Now flying to over 135 destinations worldwide, with 31 destinations in Asia.

emirates.com/us

"Airline of the Year" 2013 Skytrax World Airline Awards

Join Emirates Skywards to earn Miles that you can also redeem for reward travel on our partner airline Virgin America.

A SLICE OF INTELLIGENT LIFE

In 2007 we started publishing our sister magazine, *Intelligent Life*, as a quarterly in Europe. It has been well received and has now gone bi-monthly. As a way of introducing it to our audience in the United States, we include a selection of its articles, chosen by us, as a quarterly supplement in *The Economist*. To read more from *Intelligent Life*, go to moreintelligentlife.com. To download a full edition on a tablet, or a plainer version on a smartphone – both free of charge – go to the App Store or Google Play, or, if you have a QR reader, use it to scan the code below.

- JOHN MICKLETHWAIT,
EDITOR-IN-CHIEF, THE ECONOMIST



SAMANTHA WEINBERG (coelacanth, page 8) is *Intelligent Life's* assistant editor and the author of six books including "A Fish Caught in our Time".

ADAM FOULDS (feature, page 16) is a novelist and poet. His novel "The Quickening Maze" was on the Man Booker prize shortlist in 2009.

CHRISTINA PATTERSON (Heaney, page 23) is a former columnist on the *Independent*. She has written for the *Observer* and the *Spectator*.

ROBERT MACFARLANE (landscape, page 24) is the author of "The Old Ways", a tutor at Cambridge and chair of the 2013 Man Booker prize judges.

FIND US ON FACEBOOK, TUMBLR AND ON TWITTER @INTLIFEMAG

INTELLIGENCE

THE BIG QUESTION What's the best way to travel? Six wanderers choose 4

FEATURES

THE COELACANTH The best fish story in 380m years 8
COVER STORY Adam Foulds on a museum of Jewish identity 16

CULTURE

BOOKS Notes on a Voice: Seamus Heaney 23

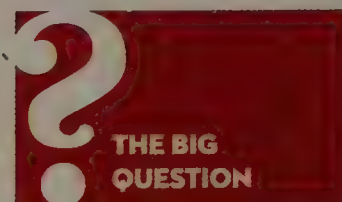
PLACES

LANDSCAPES OF THE MIND Robert Macfarlane on "Red Mars" 24



SCAN FOR FREE FULL EDITION OF INTELLIGENT LIFE
ON iPad, iPhone, Android tablets and phones

What's the best way to travel?



When you're trapped in the daily commute, it's easy to forget that journeys can be a delight, not a drag. Six wanderers explore the most satisfying ways of getting from A to B – or, in one case, X

WALKING

by Colin Thubron

Author of "Jerusalem" and "The Silk Road"

The choice to travel on foot is a transforming one. The unhurried pace brings a sense of things restored to their natural proportions. Time slows down and geography stretches out. The details of the land – its small topographical changes, its chance noises and scents – become more potent and absorbing. Some of the finest works of travel, from the sagas of George Borrow two centuries ago, to those of Patrick Leigh Fermor and Bruce Chatwin, were achieved on foot.

People have remarked on the curious relationship between walking and thinking. The rhythm of the body frees the mind, just as the rhythm of a mother's walk puts at rest her babe-in-arms. *Solvitur ambulando*, declared the ancients: "it is solved by walking". Wordsworth wrote many of his poems on the move. Nietzsche claimed to have made all his philosophical discoveries while walking, and Kierkegaard wrote that "I have walked myself into my best thoughts."

In an age when time is precious, walking has become a luxury. But of course it is among the earliest human desires (one-year-olds cannot stop). It is no surprise that pilgrims travelled on foot, and still do. The body purges the mind, and its primal contact with the ground reminds the pilgrim that we are dust. A few years ago the Chinese talked of building a road around Mount Kailash in Tibet: a mountain too sacred ever to have been climbed. In the end the idea of a pilgrimage by car was so bizarre that even the Chinese began to relent.

To walk in the world's poorer countries is to enter the orbit of their inhabitants. An attachment to the earth – to the vital soil or rock underfoot – is

still the lot of most of the world's population. I have walked most happily in small countries – Cyprus, Lebanon, Kyrgyzstan – where the regional changes are close and intimate. The footpaths and goat-tracks thread a network of sites – villages, fields, wells – whose genesis belongs to a time before tarmac. Sometimes they give you the pleasing sense of walking through the ancient character of the land. Shorn of the steel straitjacket of aeroplane or car, this might be called "deep travelling" if only your feet were less transient on the track.

CYCLING

by Emma Duncan

Deputy editor of *The Economist*

Transport is a subtly political business. Left-wingers like trains (central planning, low fuel consumption, largely egalitarian seating). Right-wingers like cars (freedom, independence, individualism). Only the bicycle crosses the political divide: it embodies both liberty and equality.

When cycling took off in Britain at the end of the 19th century, H.G. Wells explored its liberating power in a novel, "The Wheels of Chance". He saw that by allowing the working classes to move around the country for work and for fun, the bicycle would lead to social as well as physical mobility. "Every time I see an adult on a bicycle," he wrote, "I no longer despair for the future of the human race." In poor countries these days, just as in Britain then, billions of people who would be trapped in their villages enjoy the freedom that the bicycle confers to pedal around the town or countryside – to buy, sell, learn and love.

Even in rich countries, the cyclist has a greater liberty than any other traveller. She cruises up alongside



traffic jams, as drivers fume. When the road is closed and screeching cars make angry u-turns, the cyclist picks up her bicycle, smugly wheels it along the pavement under the impotent glare of policemen, and nips back onto the road when their backs are turned. Visiting friends in the countryside, she hauls her bike onto the train and pedals off at the other end, along paths, through woods and up mountains. If either she or her bike is the worse for wear, most taxi-drivers, asked nicely, will carry them both home, where the bike may be tethered to the railings or parked in the hall.

At the same time, cycling is a great equaliser. Other types of traveller can, if they spend enough, set themselves apart from their fellows. Train-lovers can take the Orient Express; a private jet allows air travellers to avoid the hell of the airport terminal. But cyclists are all on a level; all have to meet each other's eyes. Even the priciest bike cannot make cycling glamorous. However much a cyclist spends, he will still look faintly ridiculous – crouched over the han-

dlebars, pedalling furiously, determined to get somewhere, rather as man travels through life.

BALLOONING

by Richard Holmes

Biographer of Shelley and Coleridge

In somnolent late middle-age, I've become crazy about hot-air balloons. Gazing at their stately shapes from my study window in Norfolk, as they float at dusk over the beech trees down the line of the River Yare valley, fills me with pleasure and longing. My heart leaps up when I behold a dragon in the sky.

Actually travelling aboard them I find little short of a visionary experience. In the words of Jacques-Alexandre Charles, who took off in the first-ever man-carrying hydrogen balloon from Paris on December 1st 1783, "Nothing can ever match the sensation of euphoria that filled my whole body as we made our ascent. I felt that the Earth and all its troubles were silently dropping away..."

>

> Of course there's a reasonable view that balloon travel is insane. Balloons are brilliant at departures, but useless at arrivals. What the earliest 18th-century balloonists discovered was that they could always leave A, but never – despite endless experiments with wings, oars, airscrews, silken paddles – be sure of arriving at B. Or anywhere else, for that matter.

It's not that they couldn't travel remarkable distances, from A to X, as it were. In 1785, Jean-Pierre Blanchard and an American, John Jeffries, ballooned 35 miles across the English Channel from Dover to Calais. Though of course not actually arriving at Calais, but in an unknown wood, having abandoned everything to avoid drowning on the way. They departed in fur coats and arrived in underwear (an experience, I'm told, common for Ryanair passengers).

Balloon fact and balloon fiction are inextricably entwined, another reason for this enduring charm. In 1870-71, 67 airmail balloons escaped the Prussian siege of Paris, the first carrying a letter of complaint to the *Times*, the last landing with three mailbags on a snowy mountainside in Norway. They delivered 2½m letters, keeping the morale of the besieged population alive. This is largely fact.

Seven years before, three Englishmen ballooned from Zanzibar to Senegal, overflying an erupting volcano and being attacked by condors on the way. This is fiction: Jules Verne's "Cinq Semaines en Ballon".

My own best balloon moments float similarly between factual and fictional travel. I can never be sure they really happened. They include flying over Lake Burley Griffin in Canberra, Australia, and trying to land on the front lawn of the National Parliament, until waved off by a security attendant – "you can't park here, mate." Or joining the Mass Dawn Ascent at Albuquerque, New Mexico, alongside 400 other hot-air balloons, and gently (but surely fatally) colliding with another balloon at 1,000 feet. As we bounced apart, in dreamlike slow-motion, it revolved, revealing its name: "Jesus Saves". And He did.

How can I explain this? Probably I'm experiencing a sort of second childhood. I remember seeing Albert Lamorisse's miraculous film "The Red Balloon" when I was nine. I identified with the small boy carried away over the Paris rooftops by a multi-coloured cluster of helium balloons, to some heavenly destination X in the clouds. Perhaps I still do.

SAILING

by Jonathan Raban

Author of "Coasting" and "Old Glory"

If you truly want to arrive somewhere, and experience the place in its most elemental aspect, go there by sea. If the pilot book describes the approach as



*Balloons
are
brilliant at
departures
but useless
at arrivals*

"tricky", so much the better. From seaward, the outer entrance buoy is easily gained: you get the sails down and study the water ahead – a lakelike space, dotted here and there with more buoys, if you're lucky, or withies (willow sticks) if you're not. The waiting town shows as an irregular stain on the haze in the distance.

Moving cautiously at half-speed on the rising tide, you commit yourself to a channel that loops and winds through the invisible, ever-shifting banks of sand or mud. Not a marker can be missed, and you must constantly look back over your shoulder to make sure the boat isn't being driven into the shallows by the current. As the tide roils through the markers, long, woven braids of water stream from withies and buoy-chains, so you can see exactly its strength and direction (which is often straight across the course of the channel). The grinding crunch of sand under the keel, or the sudden skyward tilt of the bow as the boat grounds on soft mud, is not a fatal mishap so long as the tide stays on the rise. You can terrorise yourself with too many glances at the depth-sounder.

Meanwhile the town travels to and fro across the horizon, slowly revealing itself from new angles. Smudges become explicit: that grain elevator above a dock; the cooling tower; radio masts; a statue on a plinth; a spire, its church hidden by the white façade of a hotel with golden-section windows. Still barely dar-

ing to breathe, you round the final bend in the channel.

The more anxious the approach, the sharper the imprint it will leave on the memory. I've only visited Wexford, for instance, once in my life and long ago, and I was in a funk all the way; the reward is that every detail of its serpentine harbour entrance is permanently seared inside my skull. Working your passage up-channel with extreme watchfulness, you earn a place in the landscape: you are not an idle tourist here.

It's almost high water now, and the town is afloat on its brimming reflections. There's a vacant space on the wharf. As you go ashore with the ropes, your conceited sense of accomplishment is tempered by the thought of just how many others, coming home from the sea, have been this way before.

OVERLAND SKIING

by Joanna Kavenna

One of *Granta's* best of young British novelists The setting is Oslo, the Nordmarka forest, a wilderness which begins at the city's edge and stretches for hundreds of miles, towards the great mountain ranges of the interior. The land is bleached, smothered in snow; you can scarcely remember the smell of grass. The air is so cold that it hurts when you breathe. This should oppress you but instead it makes you feel intensely alert, hyper-aware of the mechanics of being alive. The deep blue sky is like a painting that never ends, dreamlike, mysterious. Far below, Oslofjord glitters between the trees. In the stillness every sound is amplified: the thud of snow falling from the branches, the slur of your skis on the frozen ground. You are not quite walking, not quite sliding; you are moving jerkily, like a figure in an old clock in a forgotten Bavarian town. You are slightly lost, because all the tracks look the same, and anyway clinging to fleeting notions of route seems absurd. There is no one around; the forest has swallowed them. You ski for hours, nothing changes, you wonder if you have gone back in time.

The great Norwegian explorer, statesman and polymath Fridtjof Nansen said, "It is better to go skiing and think of God, than go to church and think of sport." The experience is simultaneously beautiful and terrible; a glimpse, perhaps, of the sublime, in the Romantic sense of the word. If it wasn't so cold and wet on the ground, you would be on your knees before it all, worshipping, sounding paeans to some forgotten deity – Humbaba of the forests, the oak god Thor.

Your thoughts become non-consecutive, your unconscious imprints itself on the blankness, you move in a trance, like a pacifist beserker. After hours, years, great ages, you finally stop. The sky is pink, a silver moon is rising. You are cross-eyed with exhaustion, and yet you already know – tomorrow you will return.



*In the
stillness
every sound
is amplified:
the thud of
snow falling
from the
branches,
the slur of
your skis*

TAKING THE BUS

by Oliver August

Africa editor of *The Economist*

To cross an African border in a hurry, take a bus. Taxis or lorries will be fleeced laboriously by customs, since both carry valuable cargo. Bus driver to the rescue. He is in a hurry, and may not seem very friendly. But he can't leave passengers behind, and as a regular on the border he knows how to squeeze them through.

Though they've a reputation for being slow, some buses may actually travel too fast. I have seen Africans get off and wait by the side of a dusty road for a few minutes, calmly idle, before walking on to their final destination: to let their spirits catch up, I'm told.

Most people travel in the hope of unexpected vistas and entertaining company. Nowhere better than a bus. Encounters are unhurried and the views unmatched. Travelling from Accra to Lagos I was seated between a fast-talking evangelist and a modern-day concubine. Behind us were a politician, a reformed thief and a young widow. The driver worked as a voodoo priest on his days off. We sat high above other traffic, comparing notes on our faiths.

In rough parts of the world a bus can be a haven. Kenya's north is troubled, but cocooned among the penniless I crossed it without fearing the highwaymen. In Zimbabwe I rode from the capital to the border with Botswana in a minivan with 27 others. I decided to get off there rather than carry on to Namibia. Still, I envied them. As I got out, the smell of lunchboxes mingled with the breeze coming through the open door, like a messenger from a land beyond the road, carrying dry grass and rain yet to fall.

In Tanzania, I took a bus from Dar es Salaam to the border with Zambia, travelling 1,000 kilometres in a single day. It reminded me of an African proverb: "To go fast, go alone, but to go far, go together." ■

A fish for our time

When it turned up unexpectedly, 75 years ago, the coelacanth was the biological find of the century. And now it is showing why. **Samantha Weinberg**, its biographer, tells the best fish story in 380m years

AS THE SUN was setting on August 18th 2003, the night fishermen of Hahaya village eased their wooden pirogues off the jagged lava rocks and slid into the water. The ocean off the western coast of Grande Comore was calm and as the half-moon rose, they could see the volcano of Karthala silhouetted against the darkening sky. A few hundred metres offshore, one of the fishermen, a veteran of decades of nights on the dark water, laid his paddles across the boat and prepared a line. He tied two flat black stones above a baited hook, then let the fine filament slip through his fingers until it touched the seabed, deep below.

He was waiting for the nibble and tug of a fish – a snapper or a grouper, perhaps, or if he was lucky, a marlin, which he would take the next morning to sell at the market in Moroni. But this time the tug was unfamiliar, and the old fisherman fought with the line before he managed to pull the fish to the surface.

Deep water at night is ink-black and the first thing he saw was a pair of eyes, glowing pink in the pale moonlight. As they surfaced, he could make out a large fish. He recognised it instantly as a gombessa, or coelacanth (pronounced see-la-kanth). Although rarely caught, it was known to all in the Comoros as their most precious asset, a fish that some said was the ancestor of man.

Only six coelacanths had been caught in the waters off Hahaya since 1966, and none in the previous five years, but the old fisherman knew what to do. He tethered it to the back of the boat and paddled back to the village. He knew there was little time to lose as gombessa live in the ocean depths and had never survived for more than a few hours at the surface. Determined to try, he made a safe water pool, and waited for the sun to rise.

The next morning, his nephew took the first bus into Moroni and went straight to the Centre National de Documentation et de Recherche Scientifique (CNDRS) – a handsome white building off the central roundabout in Moroni, which houses the national museum and archives. He told them about the catch. It was what they had been waiting for since the previous year, when Professor Rosemary Dorrington of Rhodes University in the Eastern Cape had visited the island to talk about a new project – the African Coelacanth Ecosystem Programme (ACEP) – that had been set up in South Africa. She had left behind some equipment and instructions on what to do if a coelacanth





> was caught. Her point man in Moroni was Said Ahamada, a young environmentalist.

Ahamada was at home when the phone rang. He rushed to the CNDRS, grabbed the collecting kit and then caught a bush taxi to Hahaya. "It was very emotional," he remembers. "I was very impatient to see the fish. And when I got there it was still moving a little. It was a very big female, close to two metres, and had already turned brown. But its eyes were still shining; it was amazing to see lights coming from its eyes."

The coelacanth was hauled out of the water and laid on white plastic sacking, where, almost immediately, it died. Following Dorrington's instructions, Ahamada took blood samples. He paid the fisherman, then heaved the coelacanth, still wrapped in its sacking, into the boot of a red hire car and, clutching the vial of blood, careered back to Moroni.

The fish was laid out on a table at CNDRS. Ahamada cut carefully into its side and extracted samples from all the major organs – liver, heart, blood and gills. He carefully put each of them through a small manual meat-grinder, specially adapted for the task in case a lack of electricity made it impossible to use a blender, to homogenise the tissue. The samples were stored in the CNDRS freezer.

"I was excited that this fish from the Comoros was going to be used for science," Ahamada says. "But at that time I had no idea how important it would be." It wasn't for another decade – until April this year – that he would find out exactly how important.

COELACANTHS ARE THE size of humans. They are slate-blue when alive, with white flecks on the thick scales that cover their bodies. They live in the gloaming, around 200-400 metres below the surface, where light barely penetrates and few creatures venture. They spend their days sheltering in rocky caves in small groups, coming up to feed at night as the water above them cools. Unlike most fish, they give birth to live young – small, perfectly formed baby coelacanths – and when disturbed they lift themselves into headstands, apparently using an electro-sensory organ in their snout to detect the presence of predators or prey.

The handful of people who have seen them in their natural habitat talk of their glowing eyes and their gentle demeanour. They describe coelacanths moving with surprising grace, deploying their fanned fins in a diagonal formation – right fin in

front, left trailing behind – that is similar to a lizard walking.

It was those fins that first excited the attention of scientists, nearly two centuries ago. In 1839, the Swiss scientist Louis Agassiz described a fossil fish that had been found in Permian marl slate near Durham in the north of England. He named it *Coelacanthus* (from the Greek for hollow spine) *granulatus* (for the tubercular ornamentation on the surface of its scales). Over the decades, similar fossils were found across the world, dating from around 380m years ago to around 70m years ago, when the fossil record disappeared and the coelacanth was assumed to have become extinct.

The *Coelacanthus* fossils caused a stir in the scientific world, particularly after the publication of Charles Darwin's "On the Origin of Species" in 1859. In the coelacanth's lobed fins, palaeontologists thought they saw clues to the identity of the "missing link", the first fish that crawled out of the sea to evolve into amphibians, reptiles, mammals and, eventually, man. They postulated that the lobed fins of the fossil coelacanths suggested that they were the ancestor of the first fish that crawled out of the sea. Others put their money on the lungfish, the first living specimen of which had been discovered in the Amazon in the 1830s by Johann Natterer, a Viennese naturalist.

Natterer had returned to Vienna from a collecting expedition with an eel-shaped creature, around two feet long, with both gills and functioning lungs, which he suggested in a monograph was a "new species of animal of the family of fish-like reptiles" (*Ichthyodea*). A year later an Englishman, Thomas Weir, came back from the Gambia with a similar lungfish, though this one was enclosed in sun-baked clay. (Scientists later discovered that it was common practice for lungfish to go into summer dormancy in the hot, dry season, and then wake up again when the rains came to melt their muddy nests.)

The debate over which of the two – lungfish or coelacanth, the one with the lungs or the leg-like flippers – was most closely related to our ancestor would rage for a century and a half. The evidence seemed to point first to one, then to the other. But without more fundamental information, especially the microbiological data locked inside genomes, it was never going to be conclusive. The lungfish was not going to provide the answers: it has a genome thought to be around 40 times the size of the human genome, and the modern lungfish was a different beast from its fossil ancestor. It was up to the coelacanth to unlock these evolutionary secrets, and, with the specimen that was caught in Hahaya, the bets were once more on the table.

BY SHEER CHANCE, Said Ahamada was due to fly to South Africa the month after the Hahaya fish's appearance, to attend the inaugural conference – in East London, on the southern coast – of the coelacanth project that Rosemary Dorrington had initiated. Dorrington and her colleague Greg Blatch had had the idea of trying to sequence the coelacanth genome. The genome is the library of hereditary material that contains both the active genes that determine how a creature looks, works and develops, and the non-coding sequences that include once-active strings of DNA. There, the scientists hoped to find clues to the coelacanth's past, present and future, what it evolved from and into. It was a mammoth task, particularly for a small lab with basic equipment, but the pay-off would be immense. Written in those long strands of DNA, similar in size



Caught in time
The photographer Peter Scoones was in the Comoros with David Attenborough to film coelacanths for "Life on Earth" when a local fisherman hooked this specimen



to the human genome, there could be the answer to one of the fundamental questions of evolutionary science: how did we evolve from fish?

A year earlier, in 2002, Dorrington and Robin Stobbs, a former technician at Rhodes and a long-time coelacanth fanatic, had flown to the Comoros to try to get some fresh coelacanth tissue to sequence. "I thought it would be easy, but then I realised that no coelacanth had been caught there for five years," Dorrington says. "To a great extent, the fishermen had been persuaded to change their fishing techniques by the Association pour la Preservation du Gombessa, in an attempt to protect the endangered fish – and the chances of catching one by accident were close to zero. It's really incredible: the monetary value to them of catching a coelacanth used to be close to ten years' income, but they had decided they were not going to do something that would jeopardise the coelacanth. They are really amazing people."

When Dorrington booked her flight back from sabbatical in America to prepare her talk for the ACEP conference, she still didn't know about the Hahaya fish and was worried that she wouldn't be able to raise the \$100m she estimated the project needed. But Ahamada's news was a potential game-changer. As soon as he arrived from the Comoros, cradling his precious ice-box, Dorrington whisked him off to her lab. She needed to see if the tissues had been harvested and frozen in time to be of use as samples.

With Ahamada at her side, she ran a quick DNA prep to

see if there was enough there to work on. "I was nervous about it. But the genomic DNA from the Hahaya animal was of sufficient quality to work with. It was exciting stuff."

On October 29th 2003, following a gala reception in the Marjorie Courtenay-Latimer Hall in East London featuring an African dance performance by the Ngqoko Women's Group, and reports from marine biologists from along the African coast, Rosemary Dorrington stood up to give a speech. She explained what she had done on her trip to the Comoros, and showed pictures of herself and Stobbs with Said Ahamada and his team outside the museum in Moroni. Then she introduced Ahamada, saying that a fish had been caught in the Comoros and that he had brought samples back with him to Rhodes. With a final flourish she projected a slide showing the cells taken from the Hahaya coelacanth. The raw material was there. The genome project could go ahead.

Watching from a seat of honour in the auditorium named after her was a spry 96-year-old woman with lively black eyes. It was with her that the modern episode in the life of the coelacanth began.

SEVENTY-FIVE YEARS ago, on December 22nd 1938, Marjorie Courtenay-Latimer was racing to finish a display at the East London Museum, where she was curator, when she received a call from the manager of a fishing fleet. He told her that the trawler *Nerine* had just docked and that the captain had some specimens that he thought might be of >



> interest. She caught a taxi to the wharf and climbed aboard the boat. There was a pile of fish on the fo'c'sle. "I picked away the layers of slime to reveal the most beautiful fish I had ever seen," she told me when I first met her, 60 years later. "It was five feet long, a pale, mauvey blue with faint flecks of whitish spots and an iridescent silver-blue-green sheen all over. It was covered in hard scales, and it had four limb-like fins and a strange little puppy-dog tail. It was such a beautiful fish – more like a big china ornament – but I didn't know what it was." The deckhand told her that it had been trawled at a depth of 40 fathoms off the mouth of the Chalumna River in the Eastern Cape, and that it had snapped at the captain's fingers as he looked at it in the trawl net.

She managed to persuade the taxi driver to put it in his boot and took it back to the museum. Although she didn't recognise it, a faint bell was ringing in the back of her mind from a school biology lesson about ganoid fish, an ancient group characterised by their scaly armour. "But I thought it couldn't be a fossil fish because it was still alive." She knew she had to find a way to preserve it. She took measurements and drew a rough sketch while her helper, Enoch, went off to borrow a handcart, and together they set off into town.

They went first to the mortuary and then to East London's cold storage – the only two refrigeration facilities large enough to accommodate the fish – but, three days before Christmas, there was no room at either inn. In despair, Courtenay-Latimer turned to the local taxidermist, who sug-

Catch of the day

J.L.B. Smith (stroking fish), Eric Hunt (left), Governor Pierre Coudert, Dakota crew and local fishermen with the second coelacanth, 1952

gested she preserved the fish in a sheet soaked in formalin until she could find someone to identify it. She borrowed a sheet from her mother and wrapped it up. Then she tried to phone Dr J.L.B. Smith, a chemistry lecturer at Rhodes and honorary curator of fishes for the museums along the south coast. But he was away and when he hadn't got back to her by the next day, she wrote to him, enclosing her sketch.

For the next few days, she waited for a response. By December 27th, oil was seeping from the fish and the taxidermist was worried that it would begin to decay. So Courtenay-Latimer told him to skin it – but carefully, so as to preserve the scales. They found pure white flesh below, no ribs and, instead of a spine, a flexible, oil-filled tube.

It was 13 long days before she heard from Smith. He was on holiday along the coast in Knysna, where he eventually received her letter and saw the sketch. "I stared and stared, at first in puzzlement," he wrote in "Old Fourlegs: the Story of the Coelacanth" (1956). "I did not know any fish of our own, or indeed of any seas like that; it looked more like a lizard. And then a bomb seemed to burst in my brain, and beyond that sketch... I was looking at a series of fishy creatures that flashed up as on a screen, fishes no longer here, fishes that had lived in dim past ages gone, and of which only fragmentary remains in rocks are

known... What I suspected was so utterly preposterous that my common sense kept up a steady fire of scorn for my idiocy in even thinking of it."

He sent Courtenay-Latimer a wire urging her to save the fish's innards. "From your drawing and description," he wrote, "the fish resembles forms which have been extinct for many a long year."

On February 16th 1939, Smith finally made it to East London to view the stuffed fish, which lay on the table in Courtenay-Latimer's small office. A short man, bristling with intellect and not noted for his patience, particularly with the more dilatory students, he circled the coelacanth several times. He peered at it, stroked it, then turned to Courtenay-Latimer and said: "Lass, this discovery will be on the lips of every scientist in the world."

When Smith's paper on the coelacanth was published in *Nature*, with the first line "Ex Africa semper aliquid novi" ("there is always something new out of Africa"), it was greeted with great fanfare. Newspapers and magazines around the world were full of the find, which was memorably acclaimed in the *Eastern Province Herald* as the "Best Fish Story in 50,000,000 years", and in the *Illustrated London News* as "One of the Most Amazing Events in the Realm of Natural History in the Twentieth Century". Smith named the fish *Latimeria chalumnae*, in honour of Marjorie Courtenay-Latimer and the area in which it was found.

SMITH WAS FRUSTRATED by the loss of the coelacanth's inner parts which, he believed, would have revealed much about its morphology and provenance – and, more importantly still, provide clues as to how evolution worked. He devoted the next 14 years to the search for another coelacanth. With his wife, Margaret, he scoured the coasts of southern Africa, looking for another specimen, leaving posters with a description and photograph of *Latimeria* and the offer of a £100 reward.

It was on Christmas Eve 1952 that Smith received the news he had been waiting for. Eric Hunt, the captain of a trading schooner, wired him to say that a fish had been caught off the Comoros, then still a French colony – and that he had better get there smartish to claim it.

Smith reached for a telephone. He tried to contact South Africa's ministers of defence and transport and the head of the armed services, to no avail. In the vacuum of Christmas, he realised there was only one option: the prime minister, Dr D.F. Malan, the architect of apartheid, an anti-British, deeply religious creationist. With the help of the local MP, Smith telephoned Malan at his cottage along the coast. Mrs Malan picked up the phone and said the PM was in bed and she wasn't prepared to disturb him. "10.30pm of the 26th December in the year of our Lord 1952," Smith wrote. "It was probably the lowest ebb of my life. The sands of time were running out, fate was screwing me down to the dregs... What on earth was I to do, for now there seemed no more hope?"

Then the phone rang. It was Malan. Smith, in stumbling Afrikaans, summed up the situation and ended with a plea for a plane, so he could fly to the Comoros and bring the coelacanth back to South Africa. "Your story is remarkable," Malan said when he was finished. "First thing in the morning, I shall try to get through to my minister of defence to ask him to locate a suitable aeroplane to take you where you need to go."

Smith sent a telegram to Hunt, the captain of the trawler: **HOLD ON STOP GOVERNMENT SENDING PLANE.** The following morning he was sitting in the unlined hull of a military Dakota heading towards the Comoros. But he was nervous: the captain had told him that he had not been able to reach anyone on the islands to warn them of their arrival. He hadn't even been able to establish whether there was a landing strip in the Comoros.

They spent the night in Lourenço Marques (now Maputo) before flying low over the Mozambique Channel towards the Comoros. Smith soon caught sight of a string of thickly vegetated, mountainous islands, fringed by aquamarine water and, beyond, the indigo of the deep. The plane started to descend towards a slender airstrip. Looking out of the window, Smith saw a small boat tethered near a makeshift town. He realised it had to be Hunt's boat, with the coelacanth aboard.

The plane landed in a tropical downpour. As the door opened, Smith saw Hunt's face peering in. After he had been taken to meet the governor, Pierre Coudert, crisp in a white tropical uniform, Smith begged to be shown Hunt's boat. There, lying in a kapok-lined coffin by the mast, was his fish. "God, yes! It was true! I saw first the unmistakable tubercles on the large scales, then the bones of the head, the spiny fins! It was a coelacanth all right. I knelt down on the deck so as to get a closer view, and as I caressed that fish I found tears splashing on my hands and realised that I was weeping, and was

"I picked away the layers of slime to reveal the most beautiful fish I'd ever seen"

quite without shame. Fourteen of the best years of my life had gone in this search and it was true... It had come at last."

Back in South Africa the next day, Smith took the coelacanth, still in its coffin, to show to the prime minister.

"My, it is ugly," D.F. Malan said. "Do you mean to say we once looked like that?"

THE COELACANTH'S ALLURE did not fade with the discovery of the second fish and what was thought – at the time, anyway – to be its ancestral home. Scientists and museums around the world clamoured for a specimen of their own, while the public queued around the block when Smith's fish was put on display in Grahamstown. A friend of the Smiths', Bee Rennie, recalled the excitement: "People were converging from all directions... From judges to candlestick-makers and heaven knows who. We saw the judge president sort of pushing his way in, next to Helen Campbell the very short hairdresser."

The French, aggrieved at having what they thought of as their *poisson* stolen from under their noses, decreed that, until further notice, only French scientists would be able to study any further coelacanths. For the next few decades, a handful of specimens were caught each year and taken to the laboratory of Dr Jacques Millot in Tananarive (now Antananarivo), Madagascar. Once he felt he had enough coelacanths, they started giving or selling further specimens to museums and research institutions. >

> A coelacanth is on permanent display in the main hall of the Natural History Museum in London, and its counterparts are in most of the world's major museums. Over 25 years of study, Millot published a highly detailed book in three volumes, "L'Anatomie de Latimeria".

The coelacanth exerted a hold on adventurers and romantics, who were attracted by its rarity – mere hundreds were thought to exist – and inaccessibility. In the 1980s, an East German scientist, Hans Fricke, hand-built two submersibles in which he succeeded in diving to depths of 300-400 metres. Here, after much searching and to his great excitement, he found – and filmed – coelacanths, hiding in rocky caves off the south-western coast of Grand Comore. "I always say it is a creature that doesn't belong in our marine world," Fricke declared. "It is a very special fish."

In 1997, a young American marine biologist called Mark Erdmann was on holiday on the Indonesian island of Sulawesi when he saw a coelacanth in the fish market. He took photographs and returned the next year to set up a base in the hope of finding another one.

Like Smith, he visited the local fishermen and put up reward posters. After months of waiting, on July 29th 1998, an Indonesian fisherman from the island of Manado Tua, Om Lameh Sonathon, caught the fish he knew as Rajah Laut, "King of the Sea". He towed it to the next-door island of Bunaken, where Erdmann was living with his wife, Arnaz. For

"The coelacanth is more closely related to us than it is to a salmon or a shark"

half an hour, Arnaz swam with the coelacanth while Erdmann took pictures. But it was already dying, moving listlessly in the water. Erdmann grabbed his dissecting kit and hauled the coelacanth into a cooler chest to take it back to the main island. A few minutes later, it died.

"I was filled with excitement and adrenaline," Erdmann told me soon afterwards. "But at the same time it was heart-breaking to see it slowly dying, especially having swum with it. At risk of slipping into anthropomorphisms, I had the impression of great gentleness and intelligence. I can honestly say that if it had looked more alive when we had been photographing it, I would have had the impulse to let it go."

Erdmann's paper on the Indonesian coelacanth was published in *Nature*, as Smith's had been. It was greeted with similar excitement, both by the media and by scientists, most of whom were relieved that there was a larger world population of coelacanths than had previously been believed.

But the South Africans were not to be outdone. The first fish had been found in their waters and logic dictated there should be others. Deep-sea divers, using a technically complex method involving a mixture of three gases, tried descending to ever greater depths in the hope of finding a coelacanth. In June 1998, a South African diver died in the attempt. Two years later, three tri-mix divers came face-to-face with a large fish that they thought was a coelacanth, at a depth of 104 metres, off Sodwana Bay, just south of the Mozambique border.

They immediately started planning a return dive and on November 27th 2000 they found three coelacanths ranging from about 1 to 1.8 metres long. After 15 minutes on the bottom, they began their slow ascent. But at around 70 metres, two of the divers, Dennis Harding and Christo Serfontein, had a problem with their equipment. They made a dash for the surface. Harding lost consciousness and, despite his team's best efforts to revive him, died. Serfontein regained consciousness in time to be taken back down to a depth where he could safely decompress. After 134 minutes in the water, he was taken to nearby Richards Bay, where he spent six hours in a decompression chamber. His companions, however, returned to dive again.

ALL THESE COELACANTH specimens would reveal more and more about the workings of what was dubbed – like the giant sequoia tree and the horseshoe crab – a living fossil, an extant relic of ancient times. But where precisely it fitted into the evolutionary tree – whether it was indeed the direct descendant of our fishy ancestor – remained unresolved. The answer, it seemed, would only come with a more detailed examination of the coelacanth, at the cellular level. And that was what Rosemary Dorrington and Greg Blatch would set out to do.

After the 2003 ACEP conference in East London, however, Dorrington and Blatch realised that it was time to pass on the baton: their equipment was not up to the monumental task of sequencing the coelacanth genome. They arranged to meet up with Chris Amemiya, a professor of microbiology at the University of Washington in Seattle and another long-term coelacanth fan. He was excited by the idea of unlocking the secrets hidden in the coelacanth's cells and organised for the samples to be flown to America.

"As a little kid, I had read 'Old Fourlegs' and was fascinated," Amemiya says. He knew that sequencing the entire genome was going to be a long haul. Fish genomes had been sequenced before; the puffer fish was the first in 2002. But the coelacanth was of a different order of difficulty – and importance. In 2003, there were only a handful of places in the world that could do that type of work. One of them was the Broad Institute in Boston, which jumped at the chance to be involved. One of its research scientists, Jessica Alföldi from the Vertebrate Genome Biology Group, was given responsibility for running its end of the project. Together, Amemiya and Alföldi wrote white papers to raise the grants and, bit by bit, the funding and aims of the project started to come together.

By the time the tissues from the Hahaya coelacanth started being run through the Broad Institute's bank of state-of-the-art DNA sequencing machines, a team of 91 scientists from 40 institutes in 12 countries on all six inhabited continents was in place, waiting for the data to emerge. "The coelacanth genome consists of approximately 3 billion base pairs," Alföldi explained to me. "Each chromosome contains 50m to 250m base pairs. The machines we use can only sequence 100 base pairs at a time."

It was an intricate process of cutting and stitching, involving geneticists and computer scientists, all working at the technology's frontline. Eventually they had a draft genome assembly with which to work. At that point, the biology



Fishy fingers
The coelacanth's
distinctive lobed
pectoral fins

began. The data had to be analysed, the interesting genes identified and isolated and then compared to similar genes in fish, mammals, humans – and lungfish.

The prize was the seat on the evolutionary tree at the fork where the fish branch met the tetrapods – the first four-limbed vertebrates and their descendants, including humans. “The coelacanth is evolutionarily a fantastic organism,” Amemiya says. “Before our study, people had been using more conventional methods to determine the coelacanth’s phylogeny. The lungfish seemed to show higher affinities to tetrapods – but those data sets are less clear-cut in determining relationships and not everyone subscribed to that point of view. That is why we had to use the molecules to get that data.

“We knew before the sequencing started that it was going to be big – that we would find all sorts of stories in the genome.”

The team homed in on 251 genes – a far greater number than had been looked at before – from a wide range of different creatures, then compared one with another to determine where exactly the modern coelacanth sat on the tree of life. So it was that in April 2013, 174 years after Agassiz described the first coelacanth fossil, 75 years after Marjorie Courtenay-Latimer saw her beautiful fish, 74 years after Smith’s first paper was published in *Nature* and almost ten years after the old fisherman caught his gombessa in the waters off Hahaya, the coelacanth was once again the cover star of *Nature*. In their report, the result of close to a decade of work, Amemiya’s team concluded that “the genetic analysis strongly supports the conclusion that tetrapods are more closely related to lungfish than to the coelacanth”.

J.L.B. Smith’s Old Fourlegs, it seems, is not our several-million-times great-grandmother after all, but rather our great – many greats – aunt. “But the coelacanth is more closely related to us than it is to a salmon or a shark,” Alföldi told me. And because

of the unmanageability of the lungfish’s genome, the coelacanth’s genes provide the best chance to understand how life emerged from the waters to colonise the land.

The answers are appearing already. By comparing the coelacanth to land-living creatures, Amemiya and his team are starting to learn how genes changed, which were lost and which adapted, how we came to be able to breathe, smell, excrete, and walk on land. The coelacanth, for example has the same structure in its fins as we do in our arms: a stylopod (upper arm) and two zeugopods (corresponding to our radius and ulna). And unlike other fish, which have no fingers, it has the sequences in its genes to make autopods (fingers). Because it is impossible to study a living coelacanth, the scientists are now taking those autopod sequences and inserting them into the relevant place in mice embryos. Their experiments show that a mouse with those genes is able to make the proteins to grow fingers – a vital stage in the evolution of land animals.

And it’s just the beginning. In September Amemiya was putting the finishing touches to a further 11 papers, to be published at the end of this year, which will reveal more about our ancient forebear and what it was about it that made us who we are. The coelacanth genome has been published – something the team were determined to do from the beginning – and is now available for any scientist to use. The fish caught that night in Hahaya has already started to answer some of the biggest questions in evolutionary science, and should continue to bear scientific fruit for decades to come.

In the Comoros, few fishermen use the old techniques any more. “It is only the old men who have the patience during the night, when the coelacanths come up to feed,” Said Ahamada says. In the deeper waters of southern Africa and Indonesia, our ancient ancestors are being left in peace again, to swim and to breed as they have done, virtually unchanged, for nearly 400m years. ■



AUTHORS ON MUSEUMS

Children of Israel

At the Museum of the Jewish People in Tel Aviv, the novelist **Adam Foulds** could be one of the exhibits. Going back there for the first time since his gap year, he finds it forces him to think again about who he is

THE SEA FRONT IS dazzling: a flat bright sheet of blue Mediterranean water and a stretch of sand dotted with militarily fit, caramel-coloured bodies, the different shapes of the elderly, tottering children, racing dogs. Here and there amplified music hangs the way it does in large open spaces, in faint, static clouds. From somewhere I can't locate, I catch the sweet tang of marijuana smoke. This is where Israel comes to relax, to be worldly and modern and sensual. Automatic weapons hanging from the shoulders of an occasional uniformed soldier recall the wider context of the scene.

I am in Tel Aviv to visit the Museum of the Diaspora, now called the Museum of the Jewish People, which is, I suppose, one of the few museums in the world in which I could be an exhibit. I first came here 20 years ago, but I have passed through Israel more recently than that after five shocking days in the Occupied Territories with the Palestine Festival of Literature. The reality of life on the other side of the separation wall, unknown to most Israelis, is for me now a dark backing to the glossy mirror of summertime Tel Aviv. That knowledge, and the exasperation that I feel at the unresolved conflict, complicates my feelings

about being here – although perhaps it shouldn't. I've come for the story of the diaspora, the story of the Jews outside Israel.

Removed from the hot and noisy city, on the campus of Tel Aviv University, the museum feels as though it could be outside Israel. It is a place apart – plangent, outmoded.

In the early Nineties, when I made my first visit, I was in my gap year, working and studying on a kibbutz near Jerusalem for the six months that constitute the only time I've spent outside the diaspora. The visit was part of an educational programme that included trips to Yad Vashem, the Israel Museum, the Tower of David and Masada. We were all of us young. Some, like me, were just travelling in a meaningful way, connecting with our heritage. For others, Russians mostly, it was serious: they were planning to stay, preparing to make a life in Israel. After the blank years of Soviet cultural repression, which had disconnected many of them from Jewish tradition, they were discovering a new personal history.

A lot has happened since then. It was at the kibbutz that I watched live footage of Yitzhak Rabin and Yasser Arafat shaking hands, presided over by a smiling Bill Clinton. Then Rabin was >



Seeing things 3G
In an exhibition marking 65 years of the State of Israel, Adam Foulds examines photographs of three generations, born and raised in Israel since 1948

> assassinated. There have been 20 more years of Israeli occupation and settlement and the several hundred suicide-bombings of the second *intifada*, the Iraq war, the Iranian president Ahmadinejad's energetic Holocaust denial and nuclear programme, the rocking of brutal tyrannies in Egypt, Libya and Syria by bloody conflicts. And I, a distant speck in the geopolitical scheme of things, have lived 20 years of my life. Through all of that the museum has remained unchanged. Plans are under way for its renewal but, as it stands, the Museum of the Jewish People is a time capsule of one version of Jewish history. The story it tells has shortcomings, but it remains powerful and, in certain essentials, indisputable.

For this second visit, I am a party of one. I have arrived at opening time when the museum is pretty much empty apart from a group of schoolchildren, seven-year-olds in bright yellow polo shirts being arranged cross-legged on the floor by their teacher, ready for their early induction into diaspora history. I feel a twinge of affectionate sympathy for them: I know the weight that will shortly be settling on their small shoulders. The Jewish world has for some time been committed to teaching children about the Holocaust both as a proper memorial and to inculcate vigilance. What you have drummed into you as a Jewish child is that it has happened once and can happen again. You are introduced at an early age to some of the most horrifying crimes of violence and degradation ever perpetrated. Inevitably, they haunt you. More than that, they come to structure your imagination and moral understanding. You grow up asking questions about how you might have acted in the ghettos or camps, or who among your friends could be trusted to hide you in their attic if push came

to shove. Moreover, you are left with the conviction that, in extremis, this is how humans are: a little hyperinflation, some food shortages, and man will be a wolf to man. This is what these seven-year-olds are about to learn – and who is to say, as the bodies pile up in Syria and the Congo and elsewhere, that it is wrong?

I LEAVE THEM behind and head off with my guide, accompanied by a photographer from the Orthodox world of Bnei Brak. Bearded, in black trousers and a white shirt with traditional fringes hanging at his waist, he doesn't speak much English, and I have forgotten most of the Hebrew I once knew. Still, in broken phrases of each other's languages, we make ourselves understood as he arranges me in front of the first display. The museum begins with an enlarged replica of the bas-relief from the Arch of Titus in Rome that depicts the sacking of the Second Temple in Jerusalem in 70AD. Roman soldiers carry away the seven-branched candelabra, their triumphal banners cutting the air at tilting angles. It is with this moment, and the forced exile of the Jewish people from ancient Judea, that the tragic narrative of the diaspora begins. (For many centuries, in remembrance of this catastrophe, the Jews of Rome refused to walk under the Arch of Titus. In the late 1940s it was graffitied in Hebrew, *Am Yisrael Chai*, "The people of Israel yet live".) The displays culminate with the image of the candelabra as the symbol of the modern state of Israel, a putative end to exile.

This long looping return through time and space, lasting nearly 2,000 years, is a singular phenomenon; I know of >

no other history like it. The firm spiritual and cultural fidelity of religious Jews to Israel throughout that time is extraordinary. Whether it was to a religious, immaterial notion of the Holy Land, or to the actual physical place, or both, this consistent orientation kept the connection intact. I know it myself from the synagogue liturgy I used to hear as a child. I was brought up attending synagogue. I had a bar mitzvah and went to Sunday school and latterly my father, after a long career as an accountant, became a rabbi. But I am not religious and never really have been. For me, synagogue was just a part of the pattern of family life. I am what many Jews are today, a secular intellectual with a liking for certain foods as well as a particular feeling for Jewish art and comedy (an essential part of Jewish culture, not well represented in this sombre museum) and for Jewish writing, the novels of Saul Bellow and Philip Roth, Bernard Malamud and others.

Their example was important to me when I started writing fiction seriously. Of course they are great writers with universal appeal from whom anyone can learn a great deal, but for the Jewish reader they offer something more. With them, I experienced the thrill that many members of minorities feel when they first find their world fully reflected back at them – when the African-American woman reads Toni Morrison or the lesbian reader discovers Radclyffe Hall's "The Well of Loneliness". It can be an elating moment, ratifying your experience, newly legitimising your life. That sensation is, it seems to me, the essence of identity: unstable and complicated as it may otherwise be, that involuntary and often happy sense of recognition is the thing itself. It can be triggered by very small things. I remember reading in Philip Roth somewhere that the housework of his parents' (my grandparents') generation was its golden age. I knew exactly what he was talking about. Certain small, fastidious living rooms in London flats came back to me with their polished

photo frames, antimacassars, brushed sofas, pristine carpets, carefully arranged *tchotkes* and sweet, pervasive smell of Pledge.

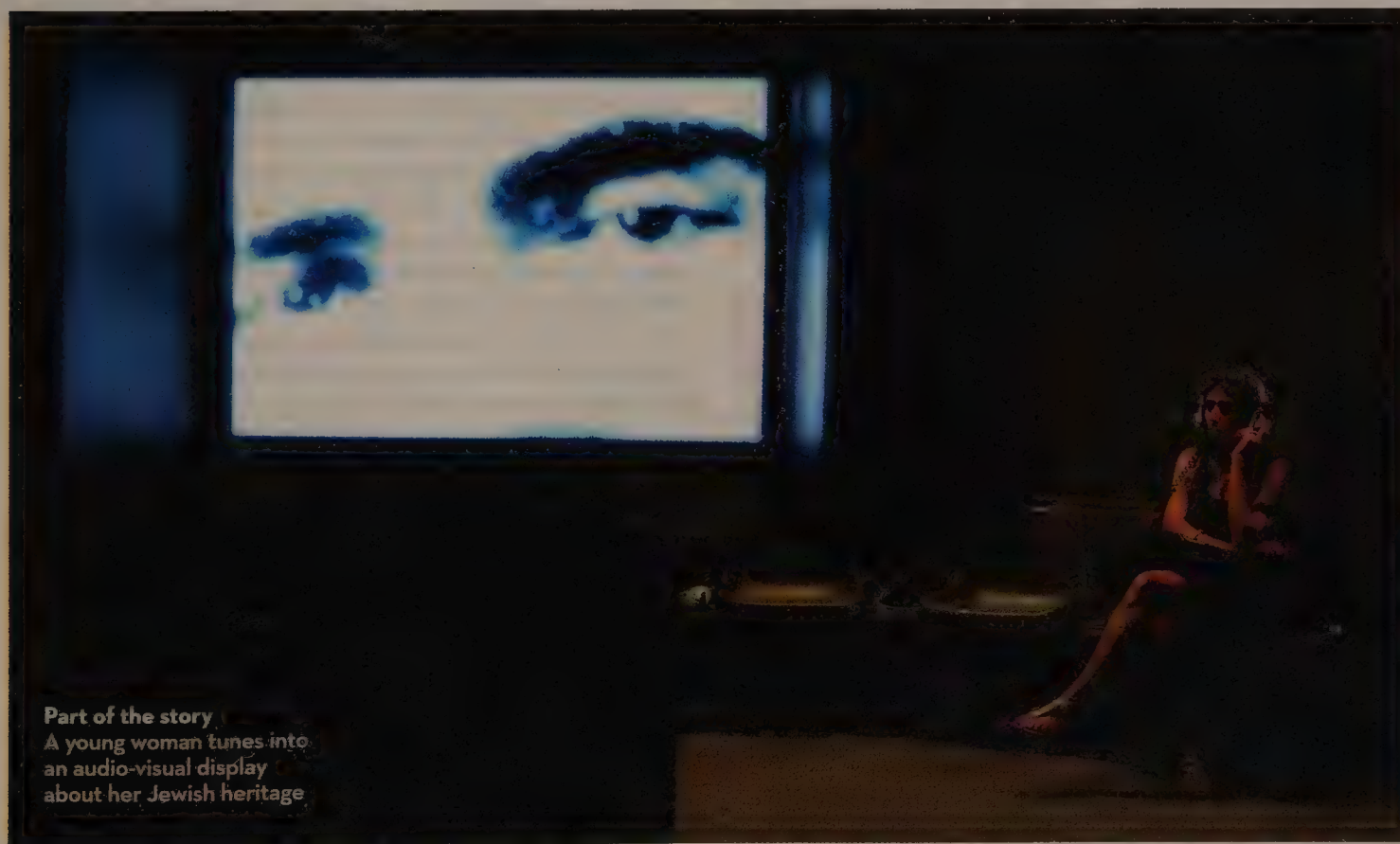
That synagogue liturgy I mentioned comes from the Sabbath service. My secular and religious worlds coincide when I find Saul Bellow quoting it in his great novel "Herzog".

"*Ma tovu ohaleha Yaakov ...*"

"How goodly are thy tents, O Israel ..."

Moses Herzog then meditates: "The children of the race, by a never-failing miracle, opened their eyes on one strange world after another, age after age, and uttered the same prayer in each, eagerly loving what they found." There's an apt ambiguity here. Remembering Israel, the Jewish children love the place they find themselves in. Out of these many unpredictable situations come the myriad experiences and affiliations of the diaspora, among them Bellow's own love for Chicago, Gustav Mahler's for the Austrian countryside and Bob Dylan's for Woody Guthrie.

That these relationships to other places and people were vulnerable is well known. In the context of the museum, it's an inevitable thought that Bellow and Dylan were lucky to be American and that Mahler, although the object of anti-Semitism, was lucky to have lived and died long before the Nazi regime that would have killed him. It is a central truth here that Jewish people have been subject to a phenomenally virulent, often murderous racism, in part mandated by Christian and Islamic scripture and tradition. At the physical heart of the museum is a circular space the whole height of the building. In heavy half-light hangs the Pillar of Remembrance, a large sculpture consisting of a string of glowing lights contained within many iron cages. It seems to me it can be experienced in two ways: the light resists, shines through the cages, or the cages contain and crush the light, visibly multiplying as the eye discerns layer after layer. The Holo- >



Part of the story
A young woman tunes into an audio-visual display about her Jewish heritage

> caust has its own museum at Yad Vashem. Here, the Holocaust is memorialised as one among other outbreaks of murder – in medieval Britain, Spain during the Inquisition, 19th-century Russia and so on. This is a gloomy place to be, an oppressive place about oppression.

“History is a nightmare from which I am trying to awake.” So says Stephen Dedalus in James Joyce’s “Ulysses” – a great work of diaspora literature, by the way, with its wandering Jewish Odysseus, Leopold Bloom – and truly I would like to awaken from this room. My own Jewish identity is at times evident to me, at others invisible. I live a lot of my life without thinking about it, without fixing any identity for myself, whether Jewish, male, British or whatever, indeed dissolving it when I write and consciously resisting the clichés of group identity. It is painful to be returned to crude affiliation, to general type, by the violence and hatred of others, to have fabricated for you a grotesque identity and to be reminded that you can be killed for it. In Britain and North America, this happens infrequently. It is a more regular experience for Jews in France or Sweden or Hungary. Contemporary anti-Semitism, globalised, metastasised, is strong. If you doubt this, just Google the word “Jew”. One thing you’ll come up with is a message from Google itself: “We apologise for the upsetting nature of the experience you had using Google.” The internet is full of anti-Semitic conspiracy theories: that Jewish people were behind 9/11, that they are planning or carrying out genocide, that they manufacture diseases, and on and on. Most of these have their origins in pre-Nazi anti-Semitism. At the turn of the last century, members of the Russian secret police perpetrated a hoax that has proved successful beyond their wildest dreams. “The Protocols of the Elders of Zion” purports to be minutes from meetings of Jewish elders discussing their secret conspiracy for world domination through a variety of wicked means, including moral corruption, financial control, war, and ultimately the complete destruction of civilisation.

Quoted approvingly by Hitler in “Mein Kampf”, the “Protocols” is now of great significance in the Middle East, having run to over a hundred editions since 1943 in Turkey alone, where it remains a bestseller. It is cited in the Hamas Charter and has been referenced by the Grand Mufti of Jerusalem, the Saudi Education Ministry, the Palestinian Authority

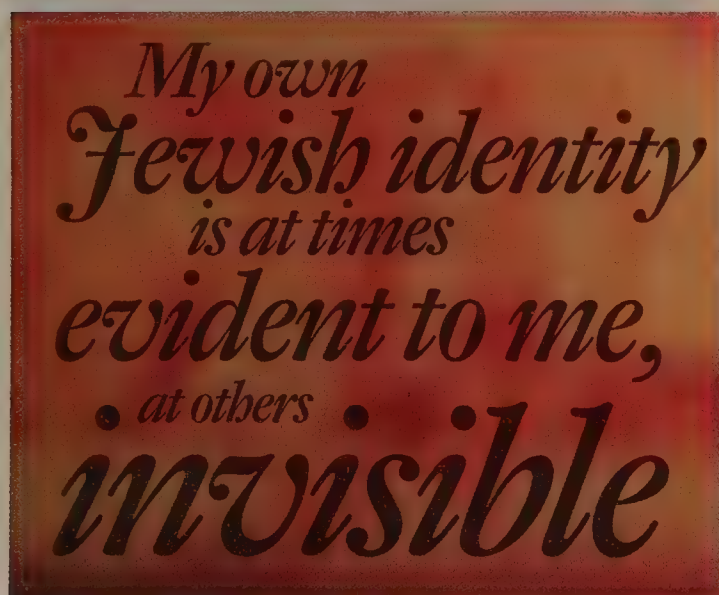
and others. In Egypt, it formed the basis of a 41-part TV series, “Horseman Without a Horse”, aired repeatedly since 2002. The Holocaust made anti-Semitism something of an anathema in western Europe after the second world war but it remains disturbingly present. For example, in seven European Union countries surveyed by the Anti-Defamation League in 2009, around 30% of people thought Jews were responsible for the financial collapse the previous year. Similar surveys over the last several years show that 30-40% of people in the European Union think that Jews hold too much power in business. (What is this power? Why is it too much power? What do they think Jews use this power for? And why is it different if a business person is Jewish rather than, say, French?) One final, striking statistic: in 2011, 11.5% of Irish people would have chosen to refuse Jewish people Irish citizenship.

Diaspora Jewish identity is in part a reaction to the weird and hateful versions of Jews invented by racists, the demonic, conspiratorial, vampiric “Jew” that exists in their imaginations, hook-nosed and depraved, with a long, tentacular, manipulative reach. The reaction is also to the anti-Semites’ subsequent threatened and executed acts of violence, whether it be the million and a half Jewish children murdered by the Nazis or the three children and the rabbi shot dead at a Jewish school in Toulouse in 2012.

I stand, paying my respects, thinking these thoughts, but I needn’t think them here in particular. The Pillar of Remembrance feels recognisable as a dark place I carry inside myself. It can be ignored. It is always there.

It’s a relief to move on to the endearingly outmoded displays on family and religious life with their plaster-cast models of studious children, festive meals and rites of passage. The coherence of diaspora life that kept it robust enough to survive for 2,000 years is located here, in piety, recitation and repetition, the daily prayers, the dietary restrictions, the bar mitzvahs and marriages under ceremonial canopies, the funeral rites. For many who define themselves as cultural Jews, this raises a question. How can this identity be preserved in the absence of religious observance? The museum doesn’t have an answer. I walk through the dimly lit displays among new arrivals at the museum, drifting between wall displays and glass cases. In a later gallery, I see celebrated Jewish contributors to science, music and literature. I watch the faces of Saul Bellow, Nelly Sachs, Nadine Gordimer and other Nobel literature laureates flash up on a screen. Leonard Bernstein waves his baton, Freud looks grave, Kafka haunted, and Einstein turns his dopey face to yet another camera. Figures from the great flourishing of assimilated, post-Enlightenment Jewish life, they are almost all of them non-religious. Consequently they disrupt, even terminate, the story that the museum tells.

THE MUSEUM OF THE JEWISH PEOPLE unfolds a narrative of redemption through the return to Israel. This reflects the understanding at the time of its establishment in the late 1970s, and the thinking of its founders, among whom Abba Kovner was highly influential. Kovner had formed a Jewish partisan group to fight against the Nazis in the Vilna ghetto during the second world war. In a pamphlet he printed at the time, he implored “Let us not go like lambs to the slaughter!” After the war, he fought with the Haganah





Triumph and indignity
The Pillar of Remembrance
symbolises both suffering and
overcoming oppression.

against the British in Palestine, and he joined the Israeli army following independence. He wrote poems and polemics that called for revenge for the Holocaust. He was fiercely defensive, a true and urgent, blood-and-fire voice for fortress Israel. He helped found several Holocaust museums. In one of the final galleries, I come across an interactive display that reflects the Kovner version of the need for Israel. It offers a variety of historical contexts illustrated with illuminated transparencies of scenes from around the world. You can choose to stay or to move to Israel by pressing one of two faded, much-pressed brass buttons. If you stay in post-war France, for example, text appears that tells you that you prosper, life is comfortable but your children lose their identity and become indistinguishable from other French people, they become “strangers”. If you choose to move, to make *aliyah* (in Hebrew the verb means “to ascend”) to Israel, you will live a life of perpetual danger, but “This is not a station any more: this is home.” At the time of the museum’s opening some people thought that Israel could indeed offer an end to the diaspora for everyone. Since then, not only has the diaspora continued to exist, it has grown. Many Israelis have become *yordim*, they have chosen, that is, to “descend” from the Holy Land. I think of all the English-speaking people with whom I first visited the museum 20 years ago, and who intended to immigrate to Israel. Not one, to my knowledge, has stayed.

The renewed museum needs to find a way to engage with the diaspora as a permanent part of Jewish life. Beyond that, it needs to find ways to value it, to see Einstein, Dylan and co as more than a blazing historical dead end. And beyond that even, it

could start to explore how the Jewish diaspora can be understood as a kind of vanguard of modern living. At least since Leopold Bloom, Jews have been seen by some as exemplary moderns: urban, cosmopolitan, intellectual, adaptable. In many cases, they were forced into this position by being forbidden to own land and barred from the guilds of traditional craftsmen. They had to be urban, in business, and were naturally international according to the pattern of Jewish dispersal from ancient Israel. Now the world at large shares more and more of this way of life. Personally, I would also like to see the new museum opening out to a vista of other diasporas and recognising that, in some essentials, this is a shared experience among many different peoples. Without diminishing the uniqueness of the Jewish story (as if that were possible), there should be room here to consider the diasporas of the Irish, Africans and, dare I say it, Palestinians – all peoples that have found themselves, for economic or other reasons, far from their cultural homes, keeping alive their language, their sense of identity and tradition while living among majority communities that were sometimes indifferent, rarely welcoming and often hostile. In the 20th century they were often to be found in the same poor neighbourhoods as the Jews, on the Lower East Side of Manhattan or in the East End of London.

It may well be that the museum considers this beyond its scope. In 2005 the Israeli Knesset passed a law establishing the museum as the national centre for Jewish communities in Israel and around the world, and that may precisely define its remit. But I don’t see that the loving elaboration of one identity precludes engaging with others, particularly as the renewed museum >



> promises to celebrate the multiculturalism of Jewish diversity. A larger vision may yet be disclosed than Jewish exile, persecution, religious fidelity and a final, flamboyant cultural flourishing when eventually the Jews break free from the ghettos and into a golden age of artistic, scientific and intellectual achievement, a vivid sunset at the end of the diaspora story. Perhaps it will come. The team at work on the renewal have so far only hinted at what they are planning.

IT IS ONE of the most traditional presentations in the museum that brings the single true revelation of the visit. My time here has forced me through all the usual complexities and inner conflicts of Jewish identity, a turbulence of familiar thoughts, but this really pulls me out of myself. The gallery is a twilit archipelago of glass display cases containing models of synagogues from around the world, most of them destroyed during the second world war. It is slow going walking from one to the other, peering down to see the miniature details of vanished places. My religious photographer arranges me looking sombrely into each case as I walk around. He backs away and his shutters click. As I stare in at the models, the guide reminds me that many of these synagogues, including the famous Altneuschul in Prague, were built with lowered floors. In another of the abasements forced on Jews by the majority Christian populations, synagogues were not permitted to be built to the same height as churches, hence the sunken floors within. An image of the diaspora there, for sure: an impoverished, constricted exterior and an expansive inner life.

The model that strikes me most is ablaze with such inner life. It is a replica of the painted ceiling of a Polish wooden synagogue. Hebrew text from the Kabbalistic mystical tradition divides colourful, gorgeous images of nature and fantasy. This, I realise, is the deep culture that produced Bruno Schulz, one of the great Polish modernist writers. His writing is lyrical and

impassioned, obsessively elaborating a personal mythology. He also produced deeply unrabbinical visual art that is full of pathos and comedy, magic and eroticism. His work is more and more popular today, celebrated by Aleksandar Hemon, David Grossman, Nicole Krauss and Roberto Bolaño. During the war, he survived longer than he might have because a Gestapo officer employed him to paint a mural in his home. In 1942 another Gestapo officer, who had argued with Schulz's protector, shot him. At the time of his death, Schulz was working on a novel, now lost, called "The Messiah". This synagogue ceiling is painted with a vision of the Messianic age. Savagery is turned into friendliness, nature into paradise. A bear offers a pineapple. A lion holds a bunch of flowers. It is full of images of outlandish, extravagant hopefulness. There is no fear, no separation.

My visit is not yet over. The photographer isn't happy with some of the shots he got at the start of the tour and he wants to go back and reshoot them. Now, a few more people are wandering among the exhibits. Back at the Arch of Titus frieze, we see some orthodox teenage girls, dressed in long swaying skirts and long-sleeved shirts that ruche up over their wrists. They laugh and talk and walk off. This inspires a thought in the photographer that he struggles to express. "You see the life," he says. "It's not just..." He gestures around. "There is Jewish life. For these girls, you see, not just the old synagogues." I pose again in front of the Roman soldiers looting the ancient temple; he gets the shots he needs. We shake hands and leave. He goes back to the certainties of his religion and I leave with my questions, my happy recognitions, my heavy history and ambivalences.

The museum has a catchy tag line: "You are part of the story." I know I am. But how? My diaspora identity, to be always asking. ■

The Museum of the Jewish People is open Sunday, Monday, Tuesday, 10am-4pm; Wednesday and Thursday, 10am-7pm; Sunday 10am-4pm; bh.org.il

NOTES ON A VOICE

Seamus Heaney

In a poem in "Electric Light", Seamus Heaney talked of "language that can still knock language sideways". This is what he did. He took ordinary words like "sod" and "drain" and "rot" and turned them to gold.

When he won the Nobel prize, in 1995, he was praised for "works of lyrical beauty and ethical depths which exalt everyday miracles and the living past". Heaney, who died in August aged 74, never called his poems "miracles", but he did talk about falling in love with the "voltage" of language. He wanted, he said, to write with "a musically satisfying order of sounds", and more than almost any poet of the past 50 years, he made English sing.

Famous Seamus, as he came to be known, scooped most of the big prizes for poetry, and sold more books than most of his peers combined. But if he seemed to retain the common touch in the way he wrote and spoke, this was only because he hid the art.

GOLDEN RULE "Don't have the veins bulging in your biro." These words, from Heaney's poem "Fosterage" (1975), echo the advice of his mentor, the novelist Michael McLaverty, to whom it was dedicated. Don't, in other words, show off. Make it look easy, even if it never is.

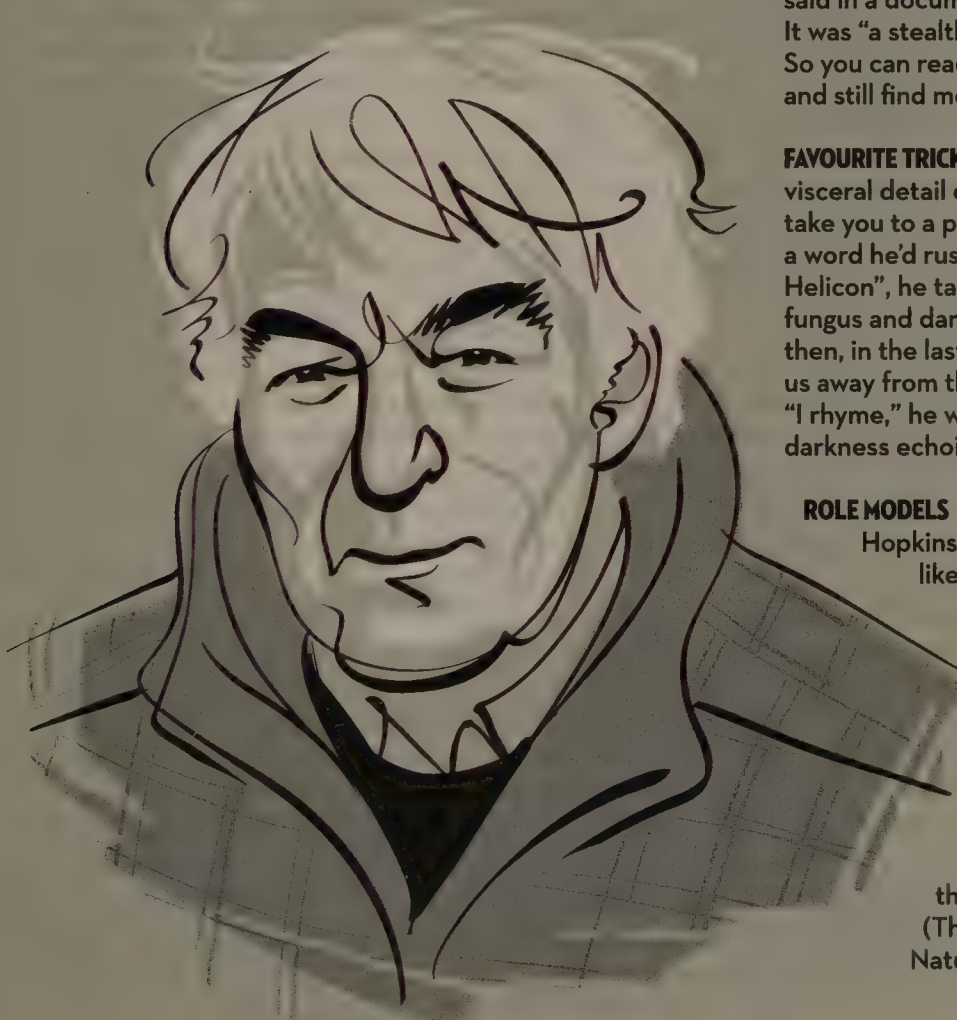
KEY DECISIONS To keep his poetry largely rooted in the landscape of his childhood, and to bring it so vividly to life that you can almost touch and smell it. Heaney used the sounds and smells and sights of the Northern Irish countryside to talk about family, history and myth. Most famously, in his poem "Digging", in his first collection, "Death of a Naturalist" (1966), he used them to talk about his vocation. He describes the "cold smell of potato mould, the squelch and slap" of the "soggy peat" his father and grandfather would dig, but says that he'll dig with his "squat pen".

STRONG POINTS Heaney is a storyteller. He takes the familiar and makes it strange. He does this partly by using verbs as nouns and nouns as verbs. He writes of "a sense...of glimpse and dapple" and of birds that "cuckoo your name across the fields". He also loves to stick words together - "wheat-straw", "dark-streaked", "white-pronged" - and to make them up. The word "enemy", he says in his poem "England's Difficulty", had "the toothed efficiency of the mowing machine". The poem, like so many of Heaney's, uses a real childhood memory to touch on politics and history, but it does so obliquely. His voice, he once said in a documentary, was given to him "by division". It was "a stealthy voice, a voice that spoke in codes". So you can read a Heaney poem a hundred times, and still find more in it.

FAVOURITE TRICK To plunge you straight into the visceral detail of an early memory, then suddenly take you to a place that almost feels - though it's not a word he'd rush to use - transcendent. In "Personal Helicon", he talks of "the smells/Of waterweed, fungus and dank moss", "soft mulch" and "slime" and then, in the last sentence of the last stanza, he pulls us away from that childhood, to what it's all about: "I rhyme," he writes, "To see myself, to set the darkness echoing."

ROLE MODELS Heaney cited Yeats, Wordsworth and Hopkins as influences, as well as Americans like Lowell and Bishop. His poetry is like nobody else's, but you can see shades of Lowell in some of the stories, and of Yeats in the singing line.

TYPICAL SENTENCE "All year the flax-dam festered in the heart/
Of the townland; green and heavy headed/Flax had rotted there, weighted down by huge sods."
(The opening lines of "Death of a Naturalist"). - CHRISTINA PATTERSON





Like nothing on Earth

The mountain **Robert Macfarlane** most wants to climb is some way off

THOUGH I AM nearing 40, it remains an ambition of mine to climb a previously unclimbed mountain. I have in mind possible peaks in Bhutan, Sichuan and north-western Tibet – all of them elegant in their architecture and severe in their remoteness. But my first choice would be the shield volcano Olympus Mons. Its main slopes present little difficulty to the mountaineer, rising as they do at an average angle of five degrees. Its summit is a caldera, or collapsed crater, whose jagged upper rim requires no ropework to reach. Seen on a plan-view map, indeed, it appears to offer little obstacle to an easy ascent. Except that Olympus Mons is on Mars.

I first heard of the mountain in a Pixies song: “Sun shines in the rusty morning/Skyline of the Olympus Mons/I think about it sometimes”, yowled Black Francis, setting my teenage self dreaming. Research revealed its astonishing statistics: the second-highest peak in the solar system, three times the altitude of Everest, one hundred times the mass of Mauna Loa (the largest volcano on Earth), the size of Arizona in area, encircled by an escarpment up to eight kilometres high, and its peripheries engulfed by dust storms that can last for decades.

The ludicrous notion of climbing Olympus Mons only occurred to me when I read Kim Stanley Robinson’s remarkable work of areology, “Red Mars” (1992). The first of a trilogy of novels, it begins in the year 2027, when a hundred-strong team of humans make landfall on Mars. Their task is to terraform the red planet from a frozen and irradiated wasteland into a habitable environment, ready to receive future waves of colonists from Earth.

The most compelling aspects of “Red Mars” are not its hard-science details or political dramas, but its evocation of the awesome Martian landscape. For Robinson’s pioneers explore an authentic terra incognita. Their footfalls and tyre-tracks are the

first to mark the Martian regolith. They are the first to witness the rich berry colours of each Martian dawn. There is a purity to their discoveries that is now impossible on Earth, where queues of climbers jostle and grump on the upper ridges of Everest, and every square mile of surface has been satellite-mapped.

In an early chapter, a small team push north from their base near the Martian equator, heading for the pole. They wear mesh “walker” suits to prevent expansion bruising in Mars’s minimal atmosphere, and breathe from backpack airtanks. For weeks they travel, passing through red deserts cratered by meteor strikes, and then a region webbed with dry-bedded canyons. Around latitude 60°, they enter the Vastitas Borealis, an immense lava plain of bare rock, which cedes ten degrees farther north to a band of dunes 500 miles wide, formed of hard-packed grey and purple dust. They watch sunset over this petrified sand-sea, while low in the sky hang two evening stars – Venus and Earth. At last, they enter the Chasma Borealis, a wind-carved valley whose floor is crunchy with CO₂ frost, whose huge ice-walls are terraced by wind erosion and sublimation, and whose long tongue guides them deep into the Martian Arctic.

Robinson narrates this epic journey as a kind of future history, telling it so calmly, and with such particularity, that it is hard to believe it has not in fact taken place. We have never reached Mars, of course, but for centuries we have projected our dreams – political, cosmogonical, aesthetic – onto it. To me, thanks to Robinson, it represents a last true wilderness, an extreme geography of hyperacids and thermokasts, and a realm of mineral marvels. Gazing at Mars through binoculars as it glimmers orange in the dark, I seek a glimpse of the true sublime, unattainable on our own polluted and post-natural planet. ■

ILLUSTRATION **SU BLACKWELL**



Genetically modified crops

Food fight

BEIJING

A fierce public debate over GM food exposes concerns about America

OF THE many thousands of usually small protests that break out in China every year, few relate to national policy. Many consider the risk of challenging the central government too great. But the entrance to the agriculture ministry is a gathering spot for occasional demonstrations. Their complaints are about an issue dear to the ministry: genetically modified (GM) crops. At one protest this year, a group chanted slogans calling for the eradication of "traitors" who support GM food. Debate over the technology is escalating, putting the government in a bind.

Public unease about genetic modification is common around the world. In China, alongside rising concerns about food safety, it has taken on a strongly political hue. Chinese anti-GM activists often describe their cause as patriotic, aimed not just at avoiding what they regard as the potential harm of tinkering with nature, but at resisting control of China's food supply by America through American-owned biotech companies and their superior technology. Conspiracy theories about supposed American plots to use dodgy GM food to weaken China abound online.

They are even believed by some in the government. In October an official video made for army officers was leaked on the internet and widely watched until censors scrubbed it. "America is mobilising its strategic resources to promote GM food vigorously," its narrator grimly intoned. "This is

a means of controlling the world by controlling the world's food production."

Peng Guangqian, a retired major-general and prominent think-tanker, echoed these sentiments in an article published by official media in August. He said America might be setting a "trap". The result, he said, could be "far worse than the Opium War" between Britain and China in the 1840s that Chinese historians regard as the beginning of a "century of humiliation" at the hands of foreign powers.

China already uses plenty of GM products. More than 70% of its cotton is genetically modified. Most of the soyabeans consumed in China are imported, and most of those imports are GM (often from America). The technology is widely used for growing papayas. The government wants to develop home-grown GM varieties and has spent heavily on research, eager to maintain self-sufficiency in food. Officials see GM crops as a way of boosting yields on scarce farmland.

In 2009 China granted safety certificates for two GM varieties of rice and one of maize. This raised expectations that it might become the first country in the world to use GM technology in the production of a main staple. But further approvals needed for commercial growing have yet to be granted. To the consternation of GM supporters, the safety certificates for the rice are due to expire next August.

Public opinion is a big reason for the de-

Also in this section

54 Finally, success at football

54 Western journalists in trouble

For daily analysis and debate on China, visit

Economist.com/chinaEconomist.com/blogs/analects

lay. Environmental groups in China have rarely succeeded in changing government policy. Officials have long treated such NGOs with suspicion and made it hard for them to register or set up offices in more than one place. The only NGO in China that devotes much time to the GM issue is an international one: Greenpeace. But the anti-GM lobby has thrived, thanks not least to the adoption of the cause by conservatives in the establishment as well as by informal groups of diehard Maoists who see America as a threat.

To the Maoists, opposing GM food is an urgent priority. Hardly a speech is made by one of them without mentioning it. "I support Mao Zedong thought," shouted one of the protesters outside the agriculture ministry. The police usually treat them with kid gloves; unlike others who protest in public, they are ardent supporters of Communist Party rule. And on this issue, at least, the Maoists enjoy much sympathy; public anxiety about food safety has soared in recent years thanks to a series of scares. Of 100,000 respondents to an online poll in November, nearly 80% said they opposed GM technology.

The fightback begins

Since a change of China's leadership a year ago, however, supporters of GM food inside the government and among the public have begun fighting back. In October Chinese media reported that 61 senior academics, in a rare concerted effort, had petitioned the government to speed up the commercialisation of GM crops. The Ministry of Agriculture was also said to be preparing a new public-education campaign on the merits of GM food (it issued a swift rebuttal of General Peng's remarks, saying GM foods certified in China were just as safe as any other food). Since May Huazhong Agricultural University in the cen- ➤

▶ tral city of Wuhan has organised nearly 30 public events promoting GM rice, including, in October, the serving of porridge made from it to about 300 people.

One of the recent petitioners, Li Ning of China Agricultural University, laments that the issue remains ensnared by nationalist sentiment. Among students, he says, "lots of them wonder how to express their patriotism; people say opposing GM is patriotic, so they say, 'Fine, I'll oppose GM.'" He says the scientists have not received an official answer to their appeal, but he is heartened at least by their new willingness to speak out. "Previously there was only one voice, and it was anti-GM. Now we've entered a period of acute antagonism." The government, it appears, is waiting for the dust to settle before it lets the paddy fields fill with the controversial strains. That may take some time. ■

Foreign correspondents

Personae non gratae

BEIJING

If anyone is going to expose corruption it will be us, says the party

THE Chinese government has many ways of making life difficult for foreign journalists, but it usually does so without attracting many headlines. That is beginning to change: authorities have halted the annual visa-renewal process for at least two dozen journalists working for American media, after they wrote stories about the wealth accumulated by the families of China's leaders. The journalists, from the *New York Times* and Bloomberg, a finan-

cial-news service, face being forced out of China when their visas expire this month.

A mass expulsion of foreign journalists would be the first since the reform era began (though a few were thrown out after the Tiananmen massacre in 1989). It could also cause a showdown with America. The American vice-president, Joe Biden, during a recent visit to Beijing, on December 5th took the unusual step of meeting some of the affected reporters.

The websites of both news organisations have been blocked in China and foreign ministry officials routinely urge Western reporters to be "more objective". They seem increasingly disappointed. In November the *Times* reported that Bloomberg had killed another story on wealth and connections. According to the *Times* Matthew Winkler, Bloomberg's editor-in-chief, was said to have told his staff that reporting in China was like reporting in Nazi Germany in that journalists had to accept self-censorship to stay in the country. That comparison has infuriated the Chinese—and helped put Bloomberg in the sin bin it was allegedly trying to avoid. The *Times* then published a front-page story about the business dealings of the daughter of Wen Jiabao, prime minister until this year, whose family wealth was the subject of the paper's original exposé.

All of this comes at a sensitive time. With a meeting of senior leaders recently concluded, rumours are again circulating that party chiefs have put Zhou Yongkang, a former member of the Politburo standing committee, under house arrest to investigate him for corruption. If Mr Zhou, a supporter of Bo Xilai, an ex-member of the Politburo who was recently sentenced to life in prison, were brought down, he would be the most senior politician to be purged since the Gang of Four in 1976.

Amid a broader crackdown on local dissent, Beijing police have urged prosecutors to indict a leader of a prominent civic group. Xu Zhiyong is a founder of the New Citizens Movement, which advocates a stronger rule of law and demands that party officials disclose their wealth. He was detained in July. Several other supporters of the group are also being held.

In recent years, other foreign reporters have faced official stalling on visas, receiving approval on the final day before their visa expired. Last year China expelled Melissa Chan, an American employee of Al Jazeera, a television network. It also recently refused a new visa for Paul Mooney, an American reporter hoping to re-enter China for Reuters, a news service. Mr Mooney has a long record of reporting on human rights in China.

Many foreign publications continue to report on issues that irk China's leaders. It will soon become clear if the leadership wants to turn its complaints about the foreign press into front-page headlines. ■

Football

Keepy uppy

SHANGHAI

Chinese football fans at last have something to cheer about

ALTHOUGH they excel at gymnastics and table tennis, the sport many Chinese really want to win at is football. And yet, mired in match-fixing scandals and with little infrastructure to encourage schoolchildren, football has struggled. In November, though, Guangzhou Evergrande beat FC Seoul to become the first Chinese team to win the Asian Champions League. Could its success have a broader impact?

The team, previously known as Guangzhou Pharmaceutical, had been relegated to the second division because of match-fixing before it was acquired in 2010 by the Evergrande Real Estate Group. Since then, it has won the Super League, China's equivalent of England's Premier League, three times. On December 7th it narrowly failed to clinch the "treble", beaten in the final of the Chinese FA Cup. A revolutionary slogan ("only socialism can save China") has been reworked on the internet to celebrate the team's success: "only real estate can save China".

The team's route to the top would be familiar to English fans. Evergrande, headed by Xu Jiayin, a billionaire member of the Communist Party, paid \$15m for the club. In 2012, it hired Marcello Lippi, a World Cup-winning Italian coach, for \$16m a year. The club also procured three South American stars and many Chinese national-team members. Rowan Simons, chairman of China ClubFootball, which promotes the game, says this is just the start of such big spending.



Bend it like Evergrande

Evergrande's model may not boost the sport at lower levels, however. Relatively few young people play organised football because of lack of facilities and encouragement. Parents prefer academic success to wasting time on sport.

The recent visit of Britain's prime minister, David Cameron, brought some assistance. The English Premier League agreed to support a coaching programme that aims to reach more than 1.2m Chinese students by 2016. The initiatives are a good start, says Mr Simons, but a stricter line on match-fixing and more grassroots support will be needed before Chinese football can become world class.



South Africa after Mandela

A question of leadership

JOHANNESBURG

Nelson Mandela set a standard that his successors have struggled to match

AS THE days passed and the news sunk in that Nelson Mandela, the country's first black president, had died peacefully at his home in Houghton, a pleasant suburb of Johannesburg, South Africa reacted at first with sadness but quickly shifted to celebrating an extraordinary life. People congregated through the night outside Mr Mandela's home, as well as at his former residence in Soweto, an urban sprawl a half-hour's drive away. Some came to sing songs; others to light hundreds of candles in remembrance.

A very different form of memorialising could be heard during one of the many Sunday prayer services held in honour of "Madiba", Mr Mandela's clan name. Thabo Mbeki, who served as president after him, said a proper celebration should also include a reflection on whether the country's current leadership was living up to the standards set by Mr Mandela and his contemporaries.

The theme of leadership was taken up by Barack Obama, the star turn at a rain-soaked memorial service held on December 10th in a football stadium in Soweto. Speaking in front of leaders from 91 countries Mr Obama said Mr Mandela set a high bar. "While I will always fall short of Madiba's example, he makes me want to be a better man."

The crowd greeted Mr Obama's arrival with cheers. By contrast Jacob Zuma, South Africa's president, was booed by sections

of the stadium. It was the first discordant note since Mr Mandela's death on December 5th. It was also an audible gauge of how far the standing of the presidency has fallen since Mr Mandela held the office. The ruling African National Congress (ANC), with Mr Zuma at its head, will next year face its toughest election campaign since coming to power in 1994.

In every dream home a heartache

In the week before Mr Mandela's death the news in South Africa was dominated by a furore over an official report leaked to the *Mail & Guardian*, a weekly newspaper, concerning the 215m rand (\$22m) of public money spent on Mr Zuma's private home at Nkandla, in the province of KwaZulu-Natal. An investigation led by Thuli Madonsela, the public protector, found that Mr Zuma had derived "substantial" private benefits from publicly funded building works to make his home secure. A new swimming pool, amphitheatre and cattle enclosure were part of what was supposed to be a security upgrade.

Mr Zuma told parliament in 2012 that his family had paid for all the building work on his Nkandla home, bar the security features. The report of Ms Madonsela's provisional findings suggests otherwise. Mr Zuma's allies had been trying to delay publication of the report, only for a version of it to be leaked. The damage was compounded by an earlier government

Also in this section

56 Bahrain still burning

58 Destroying Syria's chemical weapons

58 The Dead Sea is dying

For daily analysis and debate on the Middle East and Africa, visit

Economist.com/world/middle-east-africa

edict, on November 20th, forbidding the publication of photographs of Mr Zuma's home. That was met with defiant front-page splashes of the Nkandla compound. As a consequence many more taxpayers are now aware of its grandeur.

This is one of a number of scandals that have dogged Mr Zuma. In April a private plane carrying 200 wedding guests of the Guptas, an Indian family with business interests in South Africa, was allowed to land at an air-force base near Pretoria. A link was soon made in many people's minds between this preferential treatment and the Guptas' close ties with Mr Zuma, though an inquiry found that he did not personally approve the landing. And Mr Zuma has never quite shaken off the taint of his close association with another businessman, Schabir Shaik, who was convicted of bribery in 2005.

The poor state of the economy has not helped his popularity. Unemployment, at nearly 25% of the workforce, is higher than it was when Mr Mandela took office in 1994. If the 2m or so adults who have given up looking for work are included, the jobless rate rises to 37%. The economy is growing too slowly to create many jobs, even as much of the rest of Africa is booming.

Angry protests about a lack of basic amenities are common, although there has been a steady increase in the reach of municipal services. The ranks of the black middle class have swollen in the years since Mr Mandela's presidency. But many others lower down the income scale feel they have been left behind.

One of Mr Mandela's strengths was his ability to get disparate groups to work together in a common interest. The ANC fought against apartheid in tandem with the South African Communist Party and, from the mid-1980s, the Congress of South African Trade Unions, known as COSATU. ►►

► This tripartite alliance continued into government but has more recently shown signs of fracturing.

The pressing need to fix the economy puts the ANC at odds with the unions. The bulk of the unemployed are young adults, many of them unskilled. Even so it took more than three years for the government to bring to parliament a modest scheme to subsidise untried workers, because of union opposition. Education also needs urgent reform. Only 70% of pupils who stay on to take the school-leaving certificate are able to pass it. Yet teaching unions have stood firm against a no-strike rule and performance reviews.

Mr Zuma owes his position to support from the unions, and his party relies on them to get voters out on election day. Relations have been strained since Zwelinzima Vavi, a popular figure on the left and a vocal critic of ANC corruption, was suspended as general secretary of COSATU earlier this year. His allies suspect a plot to silence an awkward figure and to turn COSATU into a lapdog of the ruling party. Some unions, including the National Union of Metalworkers (NUMSA), one of the largest, want Mr Vavi reinstated. NUMSA will hold a conference later this month to decide whether to quit the federation and withdraw its support from the ruling party.

A split within COSATU could eventually lead to the formation of a breakaway labour party, an option said to be favoured by a majority of union officials. The ANC already faces a challenge to its left flank from the Economic Freedom Fighters, a new party launched in October. It is led by Julius Malema, a populist left-winger who was boss of the ANC's youth wing until he was expelled. Mr Malema faces fraud charges that could land him in prison. He nonetheless has support from sections of the poor who feel they lack a political voice.

The vote to come

The ANC won 65.9% of the vote at the most recent general election in 2009. The Democratic Alliance (DA), a liberal party that is its nearest rival, took just 17% but is gaining in popularity. In 2014 the ANC could also lose moderate voters to Agang, another new party, led by Mamphele Ramphele, a veteran of the fight against apartheid. Losing the election seems inconceivable but the ANC is unlikely to retain such a commanding lead.

Until this week many political pundits had believed that Mr Mandela's death would work in the ANC's favour by reminding voters of the party's central role in attaining racial equality and political stability. Yet it could also free its erstwhile supporters from a debt of loyalty to the party. Comparisons can be unflattering. Entreaties by the ANC at election time to "remember Madiba" might not prove a very reliable way to win votes. ■



Bahrain

Trouble ahead

MANAMA

The government is poisoning the well

SOON there will be no empty walls in the villages west of Manama, capital of the tiny island kingdom of Bahrain. Graffiti calling for the king's overthrow are crossed out by the authorities every day, only to reappear somewhere else, until the walls are entirely covered by black splodges. Police vehicles sit at the entrance to every village. Even in the shiny, built-up areas of Manama many residents grumble. "There is no freedom, no justice and no democracy," complains one man.

Bahrain, where a Sunni monarchy has long ruled over a Shia majority, saw a brief flickering of Arab spring protests in February 2011. The biggest were brutally put down with the help of troops from neighbouring Saudi Arabia. Yet smaller protests have continued. Violent clashes erupted on December 6th when the government hosted a jamboree of security and military officials from the region (Bahrain's 40-person delegation included people close to the Shia opposition). Youths in several villages threw stones and Molotov cocktails; security forces lobbed back tear gas and sound bombs.

Human-rights organisations warn that the situation is deteriorating. Two years after an even-handed report by the Bahrain Independent Commission of Inquiry—a laudable effort by King Hamad bin Isa al-Khalifa—few of its recommendations have been implemented. Opposition activists are harassed and imprisoned;

many want to leave the country. Foreign journalists are rarely granted visas.

The trial of Khalil al-Marzooq, a former parliamentarian and prominent figure in al-Wefaq, the leading opposition block, has caused much upset. Mr Marzooq may have been foolish in posing with a flag of the February 14th Coalition, an opposition group that has some violent members, but that hardly warrants charges for inciting "terrorist crimes". The opposition has suspended its involvement in a national dialogue in response, and political reconciliation has stalled. Both sides say they are keen to make progress, but trust is in short supply.

The government has pushed the protest movement into a more radical direction by depicting its uprising as a sectarian struggle rather than a call for democracy. Bashar Assad, the Syrian president fighting a Sunni-majority population, follows a similarly divisive strategy. By calling the opposition an Iranian proxy, Bahrain's rulers have managed to rally fellow Sunnis around them, overcoming grumbles on all sides about the rising cost of living and a lack of say in the country's politics.

Shia opinion is far from united. Al-Wefaq says it is not seeking the government's overthrow, and indeed recommends a constitutional monarchy. But it struggles to convince parts of the opposition. Some are locked in a stand-off with the police.

Even moderates are angry that 38 mosques were destroyed during raids and few have been rebuilt, says Maytham al-Salman, a Shia cleric, though the government had agreed to do this last year. "Politics is one thing but to attack religion is another", says a rights activist.

Protesters are especially resentful that the government employs many non-Bahrainis in the police. The ranks of the well-paid security forces include many Yemenis and Pakistanis; Shia applicants for police jobs are usually turned away. The extensive use of tear gas has become another bone of contention; a document leaked in October exposed plans by the interior ministry to buy 1.6m additional rounds of the stuff.

So far the Khalifas have been able to keep the protests under control, helped by the Saudis and reassured by the presence of America's Fifth Fleet, permanently based here. The economy has not gone under, as some feared in 2011. Growth next year is expected to be 3.3%. Despite jitters, few firms have left Bahrain, a regional financial centre, partly to avoid offending Saudi Arabia, the islands' godfather.

Moderate protesters pin their hopes for reform on Salman bin Hamad al-Khalifa, the 44-year-old crown prince. However, the untested ruler-in-waiting must contend with hardliners in his own family. For the foreseeable future, Bahrain's Shias can expect more tear gas. ■

**DO YOUR INVESTMENTS FALL SHORT OF YOUR
INVESTMENT STRATEGY?**

MIDY

An investment may look perfect to you on paper. But that's no reason to believe it will measure up to your strategic goals.

Consider what State Street Global Advisors brings to the table. With over 120 SPDR[®] ETFs, there's a fund to fit virtually any portfolio strategy.

Interested in Equities? Fixed Income? Dividends? Whatever the market segment, you'll get precisely what's on the label. Nothing more. Nothing less.

When it comes to building your portfolio, it's not the thought that counts. It's finding the right product. To learn more, scan the QR code or visit spdrs.com.



Precise in a world that isn't.



STATE STREET

**LISTED
NYSE
ARCA**

Before investing, carefully consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus, which contains this and other information, call 1.866.787.2257 or visit www.spdrs.com. Read it carefully.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

The SPDR S&P MidCap 400 ETF Trust is an exchange traded fund designed to generally correspond to the price and yield performance of the S&P MidCap 400 Index[™]. "SPDR" and MidCap SPDR are registered trademarks of Standard & Poor's Financial Services, LLC ("S&P") and have been licensed for use by State Street Corporation. No financial product offered by State Street or its affiliates is sponsored, endorsed, sold or promoted by S&P.

ALPS Distributors, Inc., a registered broker-dealer, is distributor for the MidCap SPDR Trust, a unit investment trust.

IBG-9404



Syria's war

An inconvenient truth

Destroying chemical weapons depends on the government's military success

NOBODY thought it would be easy to transport several hundred tonnes of highly toxic chemical agents on a road that runs through territory fought over by two sides in a civil war. Speaking in Oslo on December 9th, a day before collecting the Nobel peace prize awarded to the Organisation for the Prohibition of Chemical Weapons (OPCW), Ahmet Uzumcu, its head, warned that a December 31st deadline for getting the Syrian government's most lethal substances out of the country would be "quite difficult" to meet.

Yet much has been achieved. A joint team from the UN and The Hague-based OPCW was sent to Syria two months ago as part of a deal to avert an American missile strike in response to President Bashar Assad's use of chemical weapons on August 21st. Co-operation from the Syrian government, which has a legal responsibility for implementing the plan, has been all that could have been hoped for, says Sigrid Kaag, a Dutch diplomat who leads the mission. Key milestones for the verification of chemical-weapons stockpiles and the functional destruction of the facilities where they have been produced were met on time (October 27th and November 1st, respectively). Of 23 sites, 22 were visited by inspectors. The one that proved inaccessible because of fighting is believed to have been dismantled and abandoned.

Destruction of unfilled munitions will be completed before the target date of January 31st. At least for now (and assuming

there has been no cheating), it is unlikely that Syria has the capacity to make or fill any new weapons. However, by the end of this month, 500 tonnes of nerve agents, such as sarin and mustard gas (known as "priority weapons"), have to be removed for safe destruction. This task is daunting.

First, the weapons must be sealed and packaged in special containers brought across the border from Lebanon by Syrian technicians who have been trained there by OPCW specialists. Then they must be transported by road from multiple sites to Syria's biggest port, Latakia. Once there, they will be loaded onto ships provided by Norway and Denmark and taken to an American government-owned vessel, the *Cape Ray*, a 200-metre (650-foot) cargo ship that is part of a reserve fleet used for transporting military hardware.

The *Cape Ray* has been fitted with equipment for breaking down lethal chemical agents into a sludge similar to industrial toxic waste. It will eventually be handled by commercial firms in a number of countries, according to Ms Kaag.

The biggest obstacle is getting the lorries carrying the chemicals through to Latakia, because the highway between Damascus and Homs, which they have to use, remains contested. In recent weeks fighting for control of towns along it, such as Qara, Deir Attiyah and al-Nabak, has been fierce. The first two are in government hands but al-Nabak, some 80km from Damascus, is disputed. A pro-government newspaper, *al-Watan*, claimed this week that the highway had reopened after 20 days of bloody fighting around al-Nabak, but rebels claimed still to be holding on in parts of the town.

Ms Kaag recently met moderate opposition leaders in Turkey, but despite assurances that they support the safe removal of the regime's chemical weapons it is questionable whether they have any influence in implementing temporary ceasefires that would ensure safe passage. The OPCW is in the uncomfortable position of relying on the military success of regime forces, supported by local militias led by Hizbullah, the Lebanese party-cum-militia, to meet its timelines. A further 800 tonnes of less lethal industrial chemicals destined for incineration at commercial toxic-waste plants outside Syria must also be transported to Latakia by early February.

Ms Kaag says that although "the situation remains complex and the security situation volatile...we intend to forge ahead." Mr Uzumcu is equally bullish about meeting the overarching objective of destroying the entire Syrian chemical arsenal by the end of next June. However, the UN's secretary-general, Ban Ki-Moon, in a leaked letter to the Security Council last week, expressed his concern both about the "highly dangerous" nature of this stage of the mission and about the vul-

The Dead Sea

Emptying out

JERUSALEM

Can ancient waters be kept alive?

SUNK between the Judaeian and Moabite mountains, the world's lowest point gets lower by a metre every year. Drained by farms along its banks, the River Jordan is barely a trickle by the time it dribbles into the Dead Sea, and most of that is sewage coming out of Jerusalem and West Bank settlements. Israeli and Jordanian factories also use the water to recover potash.

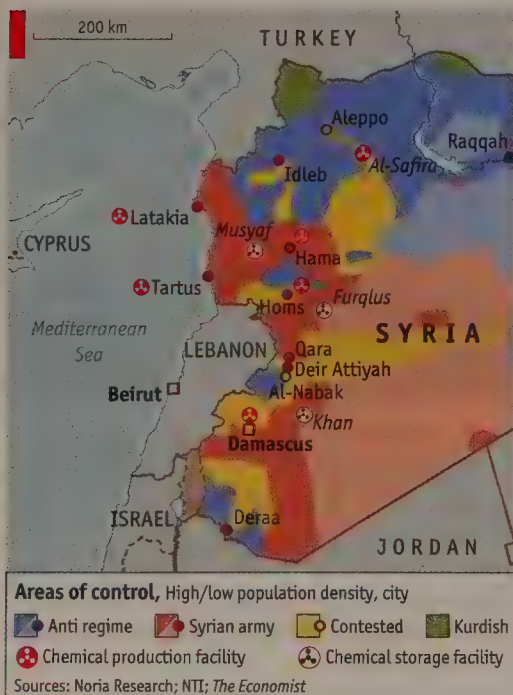
So fast are the Dead Sea's briny waters shrinking that it has already shed its southern half. Much of the seabed is now as crusty as the pillar of salt that Lot's wife turned into after fleeing Gomorrah. Hotels built on the shores in the 1980s have a cliff-top view today. Arthritic pensioners keen on the sea's therapeutic powers are reduced to swimming in saline hotel pools. By 2050, say Friends of the Earth, a conservation group, the sea will be little more than a pond the size of two football fields.

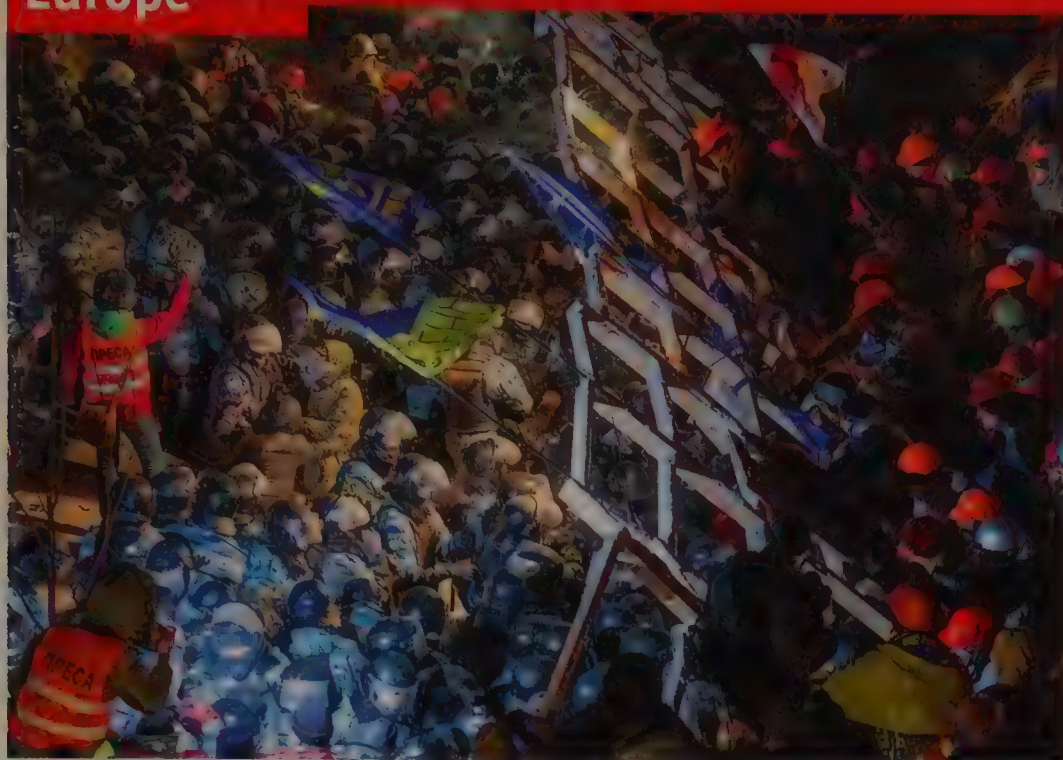
After years of regional squabbling, Israeli, Jordanian and Palestinian ministers signed a deal on December 9th to slow desiccation. Backed by the World Bank, they plan to build a desalination plant on the Red Sea and pipe the run-off 180km (112 miles) north to the Dead Sea.

Some see advantages in diluting the Dead Sea's nose-twitchingly sulphurous tides with ocean water. But there are drawbacks. Mucky algae might spread, turning the sea red. "It's playing with an entire ecosystem," says Mira Edelstein of Friends of the Earth. "The politicians want to be God."

nerability of the team's headquarters in Damascus. An alternative base in nearby Cyprus is being considered.

The joint mission has already achieved a lot in a very short time. Ms Kaag describes a week of the current operation as being the equivalent of several months of any other the OPCW has undertaken since its formation in 1997. But there is no guarantee that it can maintain the momentum. The Syrian government has asked the international community to provide armoured vehicles to help it move the chemicals. The request is understandably being treated with suspicion but it might have to be granted if there is no other way of getting the chemicals to Latakia. Russia, an Assad ally, has said it is willing to step in. Working closely with a regime that has done terrible things to its own people has always been morally compromising. It is becoming even more so. ■





Ukraine's protests

The birth of the nation?

KIEV

Viktor Yanukovich's botched crackdown on the protests in Maidan seemed to defy common sense

THE bells of Mikhailovsky Cathedral in the ancient heart of Kiev began to ring in alarm just after 1am on December 11th. As in medieval times this was a sign that the city was under siege, and a call to citizens to come to its defence. Down a steep hill, columns of riot police, in black helmets and bearing metal shields, descended on Independence Square, popularly known as Maidan (square), from three directions. Maidan, the site of revolutionary protests over the past three weeks, seemed to be facing its most critical hour.

There was no panic, only resolve. Young people held hands, some cried. Inside the barricaded encampment, sombre-looking men put on helmets and padded coats for protection. Women were advised to leave the square. The winter air was electrified with tension.

On the illuminated stage, projected on a screen, protest leaders called for calm and defiance, priests read out prayers and Ruslana, a popular Ukrainian singer, led the national anthem: "Ukraine has not yet perished, nor her glory, nor her freedom." Thousands of Maidan protesters struck up the chorus line: "Souls and bodies we'll lay down, all for our freedom/And we'll show that we, brothers, are of the Cossack nation!" The Ukrainian and European Union flags fluttered alongside each other.

On the other side of Khreshatik, the main street, the riot police charged forward to storm the barricades. Several people

were injured in skirmishes. But the protesters on Maidan itself held their ground, displaying formidable discipline and giving the police no excuse for using violence. At about 4am, with the police floundering, the atmosphere changed. Expectation of an inevitable defeat gave way to a premonition of victory. (It later transpired the police did not have an order to disperse the crowd, only to push it aside.)

Standing in temperatures of minus 13°C, ready to be beaten up, the people on Maidan were defending something far greater than an association agreement with the EU, which was the initial cause. They were standing in the way of a police state, defending fundamental European values and defying the post-Soviet order imposed by Russia. Whatever advantage the riot police had in equipment, the protesters had moral superiority. They were on the right side of history, pushing against the authoritarian power of President Viktor Yanukovich.

"This was the birth of the nation," says Petro Poroshenko, whose television channel provided blanket coverage of the stand-off. As dawn broke over Kiev, the police retreated. Their attempts to recapture two municipal buildings occupied by protesters were easily thwarted. While some defenders of Maidan fell asleep in their tents, new helpers handed out hot tea and sandwiches, repaired barricades and cleared streets of snow. But in spite of a

Also in this section

60 Liberalism in Germany

60 Turkish politics

61 The Italian left's new leader

62 Charlemagne: Banking on a new union

For daily analysis and debate on Europe, visit Economist.com/europe

sense of moral triumph, the morning provided little explanation for the timing of and motives for Mr Yanukovich's actions.

On the face of it Mr Yanukovich's move defied common sense. Only a few hours earlier, he was shown on television talking to three former presidents of Ukraine about finding a peaceful way out of the crisis; he held talks with Catherine Ashton, the EU's foreign-policy boss, and Victoria Nuland, America's assistant secretary of state, and spoke by phone to Joe Biden, its vice-president. Launching an assault on Maidan with both diplomats in town seemed a deliberate provocation.

The reaction was quick to follow. John Kerry, America's secretary of state, expressed "disgust with the decision of Ukrainian authorities to meet the peaceful protest in Kiev's Maidan with riot police, bulldozers and batons". Sanctions could follow, Mr Yanukovich was told. On the other hand Vladimir Putin, Russia's president, must have been pleased. Mr Yanukovich's actions revealed his adherence to Mr Putin's school of governance. And Mr Yanukovich has good reasons to keep Mr Putin happy. Having ditched the pact with Europe (even though he assured Baroness Ashton, perhaps for tactical reasons, that he still intends to sign it), Mr Yanukovich is now reliant on Russia's money to rescue Ukraine's collapsing economy.

Mr Yanukovich and Mr Putin are supposed to meet next week in Moscow to sign several agreements which are thought to include cheaper gas for Ukraine and, rumour has it, to allow Mr Yanukovich's family business into yet another opaque vehicle for importing gas. Mr Yanukovich is terrified of upsetting Mr Putin, who is likely to have made this deal dependent on Mr Yanukovich's ability to clear protesters off the streets.

The botched crackdown dealt another ►►

► blow to Mr Yanukovich's dwindling legitimacy. His orders are being sabotaged. The oligarchs, who control most television channels, defy his orders. Considering Ukraine's looming financial crisis, Mr Yanukovich's position is not much stronger than that of the Communist coup-plotters in the Soviet Union in 1991, who lost legitimacy and power in three days by inciting violence which the country rejected.

What keeps Mr Yanukovich in power is the lack of a clear opposition leader. None of the three main options, including Vitaly Klitschko, a former heavyweight boxing champion, can really negotiate on the protesters' behalf. For now the stand-off continues with no clear way out. Mr Yanukovich may play for time and bring out an army of paid supporters. But one thing is clear: the bells are tolling for him. ■

Liberalism in Germany

Dead or just resting?

BERLIN

The liberal Free Democratic Party is fighting for survival

LOOKING every bit his youthful 34 years and sounding combative, Christian Lindner told Germany's liberal Free Democratic Party (FDP) at their gathering on December 8th that "the time for mourning is over". But it remains to be seen whether Mr Lindner, the FDP's new leader, can resuscitate a party that many Germans have given up for dead since its drubbing in September's election.

Liberalism, which puts individual freedom above all, is not a native species in Germany as it is in Britain or America, says Karl-Heinz Paqué, an economics professor and former FDP politician, who is now considered the party's intellectual "back office". Germany entered the modern era with a tradition of paternalism, in which citizens and state expect much from each other. German liberalism failed in 1848, failed again under the Weimar Republic, and became part of the firmament only in West Germany in 1949.

Even then liberalism remained concentrated in the south-west, as personified by Theodor Heuss, West Germany's first president. Nonetheless, since 1949 the FDP has spent more time (as junior partner) in government than any other party and has infused much of Germany's economy and society with its values.

Reunification in 1990 at first gave a fillip to the party. Hans-Dietrich Genscher, then West Germany's foreign minister and a prominent liberal, was born in the east and was popular with new eastern voters. But then the task of integrating the east turned

into an extended national emergency which inherently favoured a paternalist state and caused "a big detour from the ideological trend," Mr Paqué recalls.

Liberal reforms came back on the agenda only in 2003. The FDP was out of power at the time; it was a coalition government of Social Democrats and Greens that liberalised the labour market, albeit with the Free Democrats' support. A subsequent "grand coalition" between the conservative camp of Angela Merkel, the chancellor, and the Social Democrats in 2005-09 left so many Germans yearning for a liberal voice that they gave the FDP its best-ever showing in 2009, with 14.6% (see chart).

Yet the party, then led by Guido Westerwelle (now the departing foreign minister), squandered that triumph. Whereas it used to preach freedom in all aspects of life, it became associated with only one topic: tax cuts. Worse, it did not deliver those, except to select groups such as hoteliers, who got a special break. A perception took hold that the FDP catered to rich people and favoured cliques and was otherwise cold, indifferent and unlikeable.

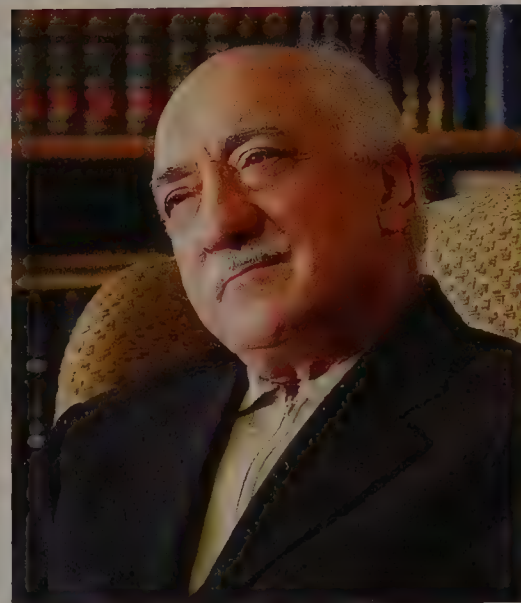
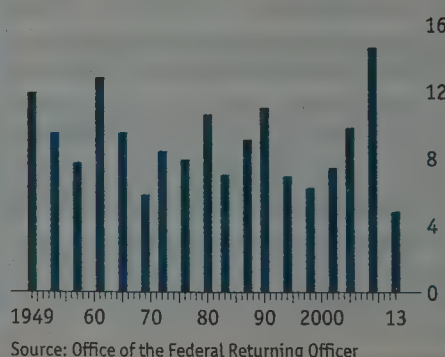
The reckoning came in September, when it got only 4.8% of votes and was ejected from the Bundestag for the first time. (The threshold is 5%.) When the FDP's representatives vacated parliament carrying boxes, a chorus of jeers from bystanders accompanied them. In the press the FDP is now the butt of jokes.

All of this ought to be puzzling. In the year of Edward Snowden, Germans were shocked by revelations of intrusions into their privacy. This has always been a trademark topic of the liberals, and especially of Sabine Leutheusser-Schnarrenberger, the outgoing justice minister. But voters gave the FDP no credit.

Mr Lindner reckons that 15-25% of Germans have liberal instincts, even though the FDP failed to "pick them up". He now defines his own success by whether the party can get back into parliament in 2017. His advantage is that the new government is likely to be another grand coalition. That may leave Germans once again yearning for a liberal counterweight. ■

In and out of favour

Germany's Free Democratic Party
National election votes, % of total



Turkish politics

Erdogan v Gulen

ISTANBUL

Who will prevail?

THE biggest achievement of Recep Tayyip Erdogan, Turkey's prime minister, during a decade of rule, has been to get the army out of politics. He did it with the help of the country's most influential Muslim cleric, Fethullah Gulen (pictured), who lives in self-imposed exile in Pennsylvania but commands a global network of schools, charities and media outlets.

Now Mr Erdogan has turned on his former ally in a show of force that is likely to determine his own future as well as that of Turkish politics. Strange though it seems to many, Mr Gulen is perhaps the only force that can halt Mr Erdogan's drift towards authoritarianism. He is also credited with keeping Turkish Islam moderate.

Will Mr Gulen mobilise his flock, thought to be in the millions, against Mr Erdogan and his Islamist-leaning Justice and Development (AK) party in the March municipal elections? If so, will their support be enough to wrest Istanbul, the biggest municipal prize, from AK? And what of Mr Erdogan's dream of becoming Turkey's first popularly elected president when the post becomes vacant in August?

Opinions differ on the outcome of what Kadri Gursel, a pundit, calls the "ugly divorce". With the levers of power at his disposal, Mr Erdogan might seem the stronger man. He has vowed to phase out thousands of private crammers that prepare students for university exams. A quarter of the schools, a big source of disciples and revenue, are run by Gulenists.

The decision, announced last month, sparked a barrage of rebukes, including one from Mr Gulen, who inveighed against ►

the tyranny of "pharaohs". Mr Erdogan has begun to weed out thousands of Gulenists thought to be embedded in the security services, government ministries and judiciary and who, in his words, constitute "a parallel state". They are rumoured to possess evidence of AK-linked corruption, as well as compromising videos of Mr Erdogan's associates.

These "agents" are said to be the source of a steady flow of classified documents to the media, one of them a directive from the national security council with Mr Erdogan's signature on it which calls for defanging religious groups, including the Gulenists. Prosecutors have begun investigating Mehmet Baransu, the journalist who published the document, on "espionage" charges. Never mind that Mr Baransu was hailed as a hero when he published reams of other sensitive evidence used to convict hundreds of alleged coup-plotting generals and their proxies in the controversial Ergenekon trial. The targeting of Mr Baransu and his newspaper, *Taraf*, is yet an

other example of Mr Erdogan's campaign to muzzle dissident voices.

A source of enduring speculation is why Mr Erdogan has chosen this moment to go after the Gulenists. The most likely answer is that Mr Erdogan wanted them to show their hand well before the presidential elections. An increasingly paranoid prime minister is said to believe that a "Gulen-Israel axis" is bent on unseating him. His suspicions were fuelled by Mr Gulen's very public criticism of Turkey's rupture with Israel in 2010.

It is too early to say which of the leaders will prevail. Mr Gulen made some conciliatory noises in his most recent sermon. The latest opinion polls suggest that AK continues to command around 50% in support. People close to Mr Gulen acknowledge that the movement's image has suffered and that much soul-searching has ensued. Mr Erdogan, who rarely admits to any wrong-doing, ought to follow suit. Turkey would be a happier and more democratic place.

for the replacement of Italy's entire political class, a rallying cry they share with Beppe Grillo's Five Star Movement. However unrealistic, they give substance to the warnings of militant populism that Mr Letta's predecessor, Mario Monti, repeatedly uttered to Angela Merkel and other European leaders as he tried in vain to get them to shift the emphasis of policy in the euro crisis from austerity to stimulus.

If Italy's mainstream politicians are to retain the initiative, much will depend on the 38-year-old mayor of Florence, Matteo Renzi, who was elected to lead Mr Letta's centre-left Democratic Party (PD) on December 8th. His victory was even more convincing than had been predicted: he took two-thirds of the vote on a turnout of 2.9m. The moderate Mr Renzi immediately set about bringing a gust of fresh air into his party. He named a 12-strong executive, in which nine of the members are still in their 30s and seven are women. And he announced that they would hold their first meeting of the day at 7.30am.

Gift list, meet "A" list.

Give the gift of *The Economist* and save 66% off the cover price.

First gift

First gift subscription:

51 weeks for \$139 — **SAVE 66%**
and get *2014 Pocket World in Figures* as a FREE gift.

☐ Payment enclosed ☐ Bill me later
(Make check payable to *The Economist*)

☐ For a friend ☐ For myself

BILL TO: _____

Address: _____

City: _____ State: _____ Zip: _____

Email: _____

(Email address is for subscription correspondence only)

Order online at: www.economist.com/gift13/us
and enter code: **FMQ9**

Additional gift subscription(s): 51 weeks for \$139,
get *Pocket World in Figures* AND *The Economist* Messenger Bag

GIFT TO: _____

Address: _____

City: _____ State: _____ Zip: _____

Email: _____

(Email address is for subscription correspondence only and is required for digital access)

GIFT TO: _____

Address: _____

City: _____ State: _____ Zip: _____

Email: _____

(Email address is for subscription correspondence only and is required for digital access)

Introductory offer for new US subscribers only. Gift orders received before December 21, 2013 will begin subscription service with our Special Year-End Double Issue. If received after December 21, 2013, service will begin 2 weeks after receipt with the most current issue. Local sales tax, if applicable, will be added to your order. Newsstand cost for 51 weeks is \$407.49. Offer expires January 31, 2014.

**051H
FMQ90**

often confusingly. In little over a week, Italy has emerged from its longest post-war recession; gained a new and disturbing protest movement; lost its electoral law; and seen the start of a revolution at the top of its biggest party.

On December 10th government statisticians revised upwards their estimate of the change in GDP in the third quarter, to zero. That would make it the first three-month period since the spring of 2011 in which the economy has not shrunk. But news of the recovery, if such it proves to be, failed to impress those taking part in a burgeoning and at times violent nationwide protest by an assortment of farmers, lorry drivers,

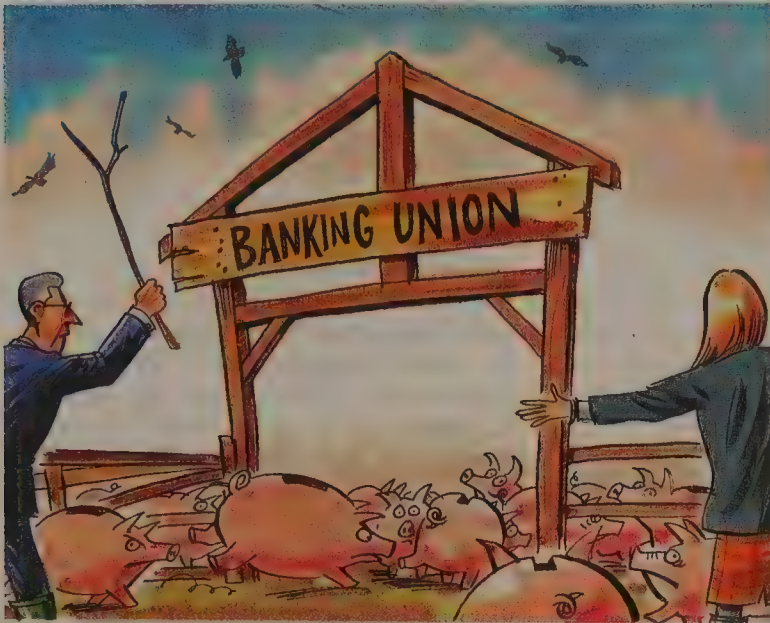


Renzi: the next prime minister?

national politics by stitching up a deal with, on the one hand, a right-wing leader who has just walked out of a ruling partnership with the PD and, on the other, a self-declared populist and ex-comedian whose aim is to destroy the PD (along with every other party)? Even if he can, he risks putting an end to Mr Letta's left-right coalition in the process. The PD's main partner is the small New Centre Right (NCD), made up of those who refused to join Mr Berlusconi in opposition. It would benefit from the current proportional system. And, notwithstanding the outcome of the confidence vote, the government is going to need the NCD to survive. ■

Charlemagne | Banking on a new union

The promises and pitfalls of the euro zone's next big idea



IT IS the most ambitious change in Europe since the launch of the euro: to transfer to European authorities the supervision of euro-zone banks and the power to wind them up, using a common European fund if necessary. The principle of a banking union is easy to state. But turning it into reality requires a jigsaw of legal texts that have kept finance ministers working overtime.

A deal now seems close at hand. Ministers hope to reach an overarching agreement in time for a European Union summit on December 19th, and to complete the legal process before the European elections in May. "Banking union will be done," declared Pierre Moscovici, the French finance minister, after two nights of hard bargaining this week. But will it be the real thing?

The project was launched in June 2012 at the height of Spain's crisis, when euro-zone leaders vowed to "break the vicious circle between banks and sovereigns". A new euro-zone bank supervisor would be created, in turn allowing the euro-zone rescue fund directly to recapitalise troubled banks. The burden of saving Spanish banks, and perhaps Irish ones too, would be taken off the shoulders of weak sovereigns. The bargain fits Germany's mantra that more solidarity requires more control.

The doom-loop between weak sovereigns and weak banks works both ways. In Ireland the collapse of the banks bankrupted the state; in Greece the bankrupt state wrecked the banks. A related aim has been to fix the cracks in the single market for financial services: a firm in, say, northern Italy must now pay higher borrowing costs than a similar one across the border in Austria.

At its heart, banking union requires Germany and other creditor countries to make a mental leap by sharing the liabilities of the banks of others. And it requires all countries to stop coddling their banks as national champions. Above all, it requires trust.

The essential first step is creating the supervisor, centred on the European Central Bank (ECB). It will take direct charge of the 130 largest banks, and will leave national bodies to deal with the 6,000 smaller lenders, while retaining the right to oversee any bank. Legal work was finalised in November and the supervisor will become fully operational in late 2014.

So much for control. The next steps, involving solidarity, are harder. The single supervisor should be matched by a single resolution authority to restructure or shut troubled banks; a single

resolution fund (paid for by industry levies) to deal with any resulting costs; a single euro zone-wide deposit-guarantee system; and a common backstop. This is roughly the set-up of America's Federal Deposit Insurance Corporation (FDIC).

A complication is that cross-border banks operate not only in euro-zone countries, but in other EU countries, notably Britain. So this second stage involves a two-step process. First, harmonise the rules on resolution and deposit guarantees across the 28 members of the EU. Then merge the systems of the soon-to-be 18 countries of the euro zone (and any others that want to join). In practice, everything depends on everything else.

Germany has fought a rearguard battle on two central questions. Who decides? And who pays? Until recently it opposed a central authority with access to pooled funds, pushing instead for a network that would leave German money in German hands. Wolfgang Schäuble, the German finance minister, said the euro zone should start with a "timber-framed" banking union; a steel one would require changing EU treaties.

Mr Schäuble made an important shift towards the latter this week. He agreed that, over a ten-year period, national "compartments" of the resolution fund would be progressively mutualised until there was a single European fund of about €55 billion (\$60 billion). In other words, he agreed to mutualise the money of German banks, if not yet the money of German taxpayers. The answer to the problem of trust, it seems, is time.

But there are still rickety wooden bits and missing pieces. Mr Schäuble has insisted on a complex legal structure and a convoluted decision-making system. There will be no single deposit-guarantee scheme. Losses would be borne first and foremost by bank shareholders and creditors under tough new bail-in rules that will come into effect in 2016. This is right in principle, but there is little or no leeway to save banks if a systemic crisis occurs (non-euro Sweden is especially annoyed). The promise of direct recapitalisation has become remote.

Who's covering your back?

The most glaring flaw is that the common backstop is missing. The latest draft proposes to maintain the link between banks and sovereigns in the transition period: if the resolution fund runs out of money, national treasuries would have to step in. The future remains a blank. The danger is that the problem will be left for decision another day, or another year. The most obvious solution is to allow the existing rescue fund, the European Stability Mechanism, to extend a line of credit to the resolution fund, as America's treasury does with the FDIC.

Banking union is no panacea for the euro zone's ills, but done properly it would help recovery. It is designed to ensure that taxpayers are not called upon to save the banks. But it will not be credible without some assurance that states collectively stand behind it.

It was too much to hope that banking union would deal with today's crisis. It will not deal with tomorrow's problems if, say, the ECB finds big holes in its review of bank asset quality next year. But it needs to be solid for the day after tomorrow. The euro zone should not assume the banking crisis is over because Spain and Ireland are emerging from their bail-out programmes; instead it should heed the IMF, which has warned that a half-baked, piecemeal banking union could be worse than none. ■

\$1,000,000,000

Accelerate the growth of your international business with HSBC.

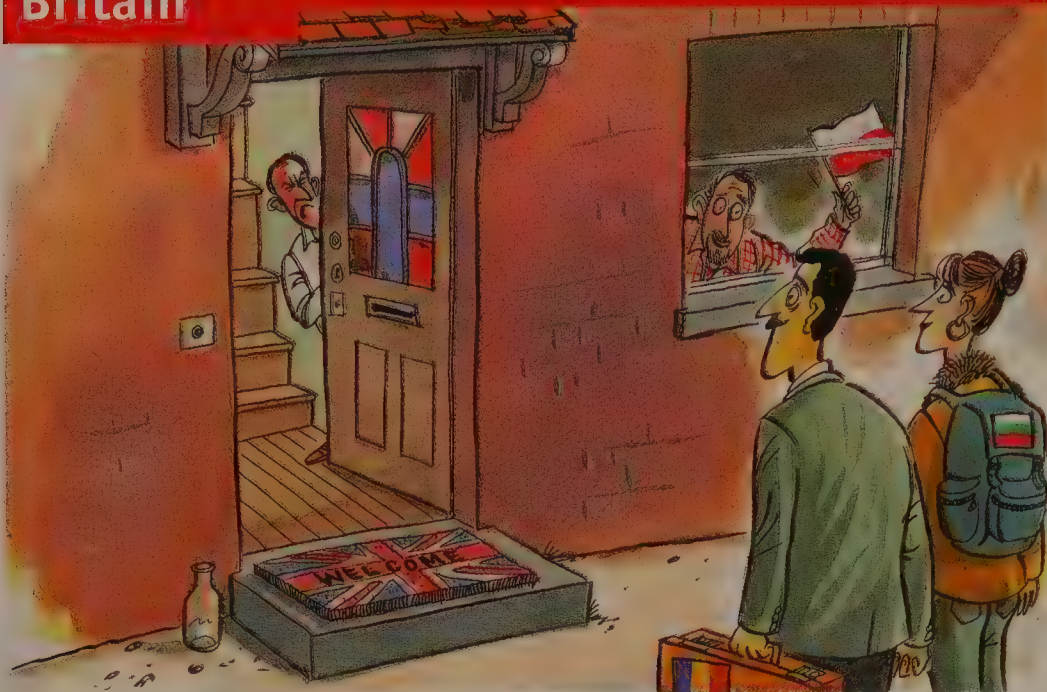
Global markets are opening up to everyone. In fact, 65% of American businesses are currently involved in international markets¹. That's why HSBC has earmarked \$1 billion in funding to help qualifying American businesses better manage international expansion and take advantage of global growth opportunities². **There's a new world emerging. Work with HSBC to be part of it.**

1-866-257-3768

us.hsbc.com/accelerate

HSBC 
Commercial Banking

1. Source: Dun and Bradstreet. Total number of businesses greater than \$3 Million in annual revenue doing business internationally or planning to do business internationally. 2. Applies to qualifying loans offered by HSBC Bank USA, N.A to businesses with sales turnover between \$3 Million and \$500 Million. Other restrictions may apply. United States persons (including entities) are subject to U.S. taxation on their worldwide income and may be subject to tax and other filing obligations with respect to their U.S. and non U.S. accounts. US persons and entities should consult a tax advisor for more information. Trade and supply chain transactions may be subject to credit approval. Other restrictions, including specific country regulations may apply. Foreign currency exchange rates may apply to certain trade transactions. HSBC Bank USA, N.A. Member FDIC, Equal Credit Opportunity Lender. © Copyright HSBC Bank USA, N.A. 2013 ALL RIGHTS RESERVED.



Immigration

The Polish paradox

CORBY

Britons loathe immigration in principle, but quite like immigrants in practice. For Bulgarians and Romanians, that is good news

HALF of the foreign-language section in Corby's public library is taken up with Polish books. "Alicja w Krainie Czarów" ("Alice's Adventures in Wonderland") sits near "Agresor", a translation of a military potboiler. A decade ago this town in the East Midlands had hardly any east European bookworms to cater to. As in many other places, its residents have been surprised, and at times perturbed, by what has happened since.

Poles, who have been able to live and work in Britain since their country joined the European Union in 2004, have already become the second largest foreign-born group, after Indians. The 2011 census counted 579,000, a tenfold increase from a decade earlier. Many more have come and gone: since 2002 almost 1.2m Poles have been issued with National Insurance numbers. But that still leaves a lot of settlers. In 2012 Polish women gave birth to 21,156 children, more than any other group apart from native Britons. They have ventured to rural market towns and small cities that rarely see foreigners.

Poles and other east Europeans have also become political footballs—with almost all national politicians playing in the same, hostile, team. Jack Straw, once Labour's home secretary, calls the decision by his party to grant them free access to Britain a "spectacular mistake". Priti Patel, a Conservative MP, says (with many others) that they are straining public services to breaking point.

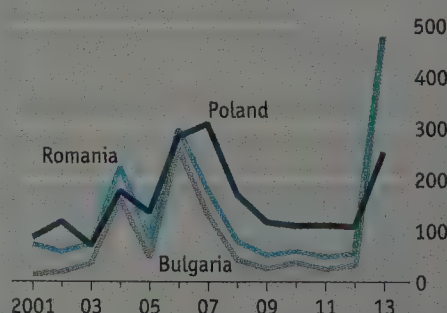
Politicians are now applying the con-

clusions they have drawn from the Polish surge to a new group of migrants. Fearing an influx of feckless Bulgarians and Romanians, who will be allowed free access to Britain and other EU countries from January 1st, the coalition government is tightening access to welfare. David Cameron, the prime minister, insists that Britain will not see a repeat of "the Polish situation". Bulgarians and Romanians are already attracting more press coverage—mostly hostile—than Poles ever have (see chart).

But what, really, is the Polish situation? It is much more encouraging than politicians imply. Poles and migrants from other new EU member states have been readily absorbed into Britain's labour market. They are tolerated, even welcomed, locally. The huge imbalance between local experience and national conviction has im-

Poles apart

Articles mentioning immigration and:
Selected newspapers*



Source: Dow Jones Factiva

*Daily Mail, Daily Telegraph, Guardian, Times and Sunday editions

Also in this section

65 A military U-turn

66 Bagehot: Labour's wrong tune

For daily analysis and debate on Britain, visit
Economist.com/britain

plications for next year's migrants.

Poles have mostly ended up in fast-growing bits of the country. Many live in London. Corby is one of the few places in NIMBYish Britain that welcomes house-building. Tom Beattie, the council leader, wants its population to double by 2030. Southampton, another city with lots of immigrants from eastern Europe, has gone from being an ageing city with declining skills to a young one with great aspirations, says John Denham, one of the city's MPs.

Marco Cereste, the Tory leader of the council in Peterborough, another popular destination for migrants, says his magazine-distribution company was turning away business ten years ago for a lack of workers. Not any more. And Poles are moving beyond menial, letterbox-stuffing work. Britain got younger and better-educated Poles than Germany or America. Many are overqualified for their jobs, and ought to move into more appropriate ones as their English and social networks become stronger.

Some are already doing so. In the West Midlands, Polish entrepreneurs at first set up restaurants and construction firms. But later migrants, many of them women, built design firms and marketing agencies. A couple run bakeries big enough to supply leading supermarkets. Websites that once simply provided information for new arrivals have become commercial ventures that charge for access and advertising. Ilona Korzeniowska, editor of the Polish Express, a London-based newspaper, suggests Bulgarians and Romanians may fill jobs no longer of interest to Poles.

Parts of England and Wales with many east European migrants have seen a drop in property crime and no increase in violence, according to researchers at the LSE and University College London. Recorded crime and anti-social behaviour in Corby has fallen by more than half since 2006; in the rest of England and Wales it is down by

about a third. The proportion of the town's residents worrying about anti-social behaviour has plummeted from 56% to just 8%. A rise in knife crime in Cambridgeshire was mostly a result of workers taking home blades they used to harvest fruit and vegetables, unaware that carrying them was illegal, says Julie Spence, the area's chief constable from 2005 to 2010.

Schools are under more pressure. Between 2008 and 2012 the number of Polish pupils in England doubled, to 54,000. Peterborough's school population has swelled by 4,000 since 2008. Places are so scarce that some parents have four children in four different schools. But the new arrivals do not seem to be making it harder to learn. In Peterborough the share of pupils getting five good GCSEs, the exams taken at 16, rose from 37.2% in 2008 to 57.7% this year, just below the national average of 60.2%. Polish Saturday schools are springing up in Peterborough and elsewhere.

Other public services have been strained less. Corby has spent less than £300 (\$490) on translation services thus far this financial year. Margot Parker, who stood as the UK Independence Party's candidate in the town's by-election last year, says its health services are struggling. If so, that would be unusual: east European immigrants tend to use the NHS much less than Britons. Few Poles there or in Southampton live in public-sector housing or are waiting for it; they prefer to rent privately. Nor do many claim unemployment benefits: in 2011 the number of jobless Poles in Britain was under 20,000.

The next wave

Dispiritingly, both for Poles and for those who will follow them to Britain, these local successes do not register nationally. Bulgarians and Romanians will arrive amid huge opposition to immigration. YouGov, a pollster, found in October that just 33% of Britons think the right of EU citizens to live and work in other member states a good thing.

This antipathy is partly due to the sheer numbers that have arrived since 2004—many more than the government predicted. Immigration has become entangled with a general mistrust of politicians, intensified by scandals over expense claims. The economic crisis has made everybody less tolerant. Without it, people would have been annoyed about immigration but got used to it, reckons Mr Denham.

The Poles' experience is both good news and bad for Bulgarians and Romanians. It suggests that shifting public and political opinion will be hard, perhaps impossible. But, as Mr Denham was told by one of his constituents, "it's not the migrants I don't like, it's the migration." The experience of living in Britain, alongside its grumpy natives, may be happier than the rhetoric implies. It can hardly be worse. ■

Military reform

No go, GOCO

Why a bold plan to privatise military procurement fell apart

AS U-TURNS go, it was not particularly painful; defence procurement is hardly a doorstep issue. Still, in terms of the scale of ambition thwarted it was a big one. On December 10th Britain's defence secretary, Philip Hammond, announced that one of the most radical outsourcing plans hatched by any government would not be going ahead.

Mr Hammond has been (successfully) trying to restore fiscal probity to the Ministry of Defence, long a pariah in Whitehall for its casual approach to the military equipment budget. He wants to root out the so-called "conspiracy of optimism", in which officials, the armed forces and defence suppliers pretend that kit will be delivered much more cheaply than it in fact can be. After a cost-cutting defence review, Mr Hammond inherited a staggering £74 billion (\$122 billion) of unfunded commitments from the last Labour government.

At present a 16,500-strong Bristol-based outfit called Defence Equipment & Support (DE&S), staffed mostly by former soldiers and civil servants, handles procurement. Mr Hammond argued that a radically different approach was needed. Responsibility for buying and maintaining Britain's military equipment should be handed to a GOCO, the acronym given to a new government-owned, contractor-operated organisation. In effect, Britain would have privatised defence procurement.

In July three American-led consortia had been lined up to bid for the contract.



Can we turn this thing around?

But by last month two had dropped out, fearing it would be impossible to make a decent return. That left just one bidder: a consortium that included Bechtel, Price-waterhouseCoopers and PA Consulting. Sources suggest that, despite having submitted a 1,200-page bid, this consortium too was thinking about pulling out.

Without a credible commercial competition, Mr Hammond will revert to allowing a beefed-up DE&S to offer the salaries needed to attract people from the private sector with the kind of commercial, engineering and financial skills needed to handle big projects and negotiate complex contracts. This is unlikely to deliver the kind of "cultural change" that Mr Hammond had insisted was essential.

Yet Francis Tusa, the editor of *Defence Analysis*, a newsletter, and a supporter of GOCO, reckons that for all Mr Hammond's apparent enthusiasm for it, he may not be entirely dismayed by what has happened. Bidders fell by the wayside because of the limited length of contract being offered (as little as three years according to a source) combined with the requirement for substantial upfront investment and the need for every pound of profit to come from savings over the previous system. Surely Mr Hammond could have sweetened the deal if he had really wanted it?

The proposed new system was the brainchild of Bernard Gray, a former journalist, political adviser and banker who was hired by the prime minister, David Cameron, to become head of defence materiel in late 2010, before Mr Hammond became defence secretary. Mr Hammond, said by some who have worked with him to be "a bit of a control freak", concurs with much of the bullish Mr Gray's argument for the GOCO. But he was probably not thrilled by having to march in lock-step with him on such a contentious and politically risky policy. Mr Gray has been made chief executive of the rebooted DE&S.

Others will be frankly relieved at the GOCO's demise. Its detractors both in Parliament and industry questioned how far a privately-operated entity could be trusted to serve national strategic goals. Even the Pentagon, no slouch when it comes to outsourcing, was worried that the Ministry of Defence might lose capabilities critical for the support of future missions. In 2011 America's Office of Federal Procurement Policy issued a "Policy Letter" warning departments about surrendering to contractors "inherently governmental functions". The Pentagon was singled out for needing caution when it came to reliance on contractors.

Mr Hammond says that the GOCO plan is only on hold and could be brought back by a future Conservative government. By the time it is, the politically ambitious defence secretary will surely have moved to another billet. ■

Bagehot | Time to change tune

Ed Balls is running out of time to improve the Labour Party's economic policy



DEFIANCE becomes Ed Balls. A lesser politician might have been stricken after the red-faced, blustery response he gave in Parliament last week to the government's pleasantly upbeat fiscal report. He would certainly have been chastened to read the critics who pondered whether the shadow chancellor of the exchequer might lose his job. But Mr Balls said he "couldn't give a toss": "In the end if the country don't want a Labour government... then I've got a problem. Until then, it isn't a problem."

That was Mr Balls, carbuncles and all, and your columnist is glad of him. Parliament needs a few incorrigible bruisers like the tough, improbably piano-playing, shadow chancellor. He is also right. Hardly anyone survives the Westminster bear-pit—the small matter, as another Labour front-bencher pithily describes it, of "facing 300 angry white men shouting 'you're a wanker'"—unbloodied. It is also doubtful whether many British voters even notice it. Yet Mr Balls's trial highlights a bigger problem: a Labour economic offer that is desperately weak. And the shadow chancellor's habit of spunky defiance is largely to blame.

For three and a half years, British politics has been dominated by two questions of incalculable importance. What caused the calamity that befell the economy in 2007, when the financial crisis was followed by a slump deeper and longer than almost anywhere outside the euro zone? And what is the best way out of it? First Labour overspending, then Tory prudence, replies George Osborne, the Conservative chancellor. The financial crisis itself and an injection of Keynesian stimulus, retorts Mr Balls.

Both men are to some extent right. Labour overspent. But Britain's yawning deficit—which has added £700 billion (\$1.1 trillion), or roughly half of GDP, to the public debt since 2007—was mainly fuelled by a collapse in tax revenues from banking and property sales caused by the crisis. The trouble for Mr Balls is that most voters prefer Mr Osborne's more straightforward explanation—and this preference governs their response to the second question, how to fix things. Mr Osborne's austerity policies have a home-spun logic: after overspending, you must save. By contrast, when Mr Balls, who was partly responsible for Labour's past profligacy, calls for more public spending, he reminds voters of what got them into this mess in the first place. He also sounds like he is threatening to make it worse.

Britain's nascent recovery—the economy is now growing faster than that of almost any other developed country—has added to his problems. It is possible, as Mr Balls says, that the recovery would have come sooner under his guidance; that is for the wonks. Voters are likelier to see a vindicated chancellor, which is why optimism about the economy is growing, while Mr Balls's ratings are dire. Just 22% of people would appoint him chancellor.

The Westminster consensus is that he is nonetheless safe. Less than 18 months before the next general election, Mr Miliband does not want to start a war with his party's most accomplished political schemer. Nor is he spoilt for alternatives. The obvious candidate, the former chancellor Alistair Darling, is leading the campaign to keep Scotland British; he is also rumoured to hold his leader in low esteem. Yet, Bagehot submits, recent briefings against the shadow chancellor from within Mr Miliband's camp suggest a growing impatience with his performance that could sweep those impediments aside. A prominent Labour figure names Douglas Alexander, the shadow foreign secretary, as a possible replacement; another suggests the shadow home secretary, Yvette Cooper, which would introduce an interesting dynamic to her marriage, to Mr Balls. His position, in short, may be more precarious than it seems.

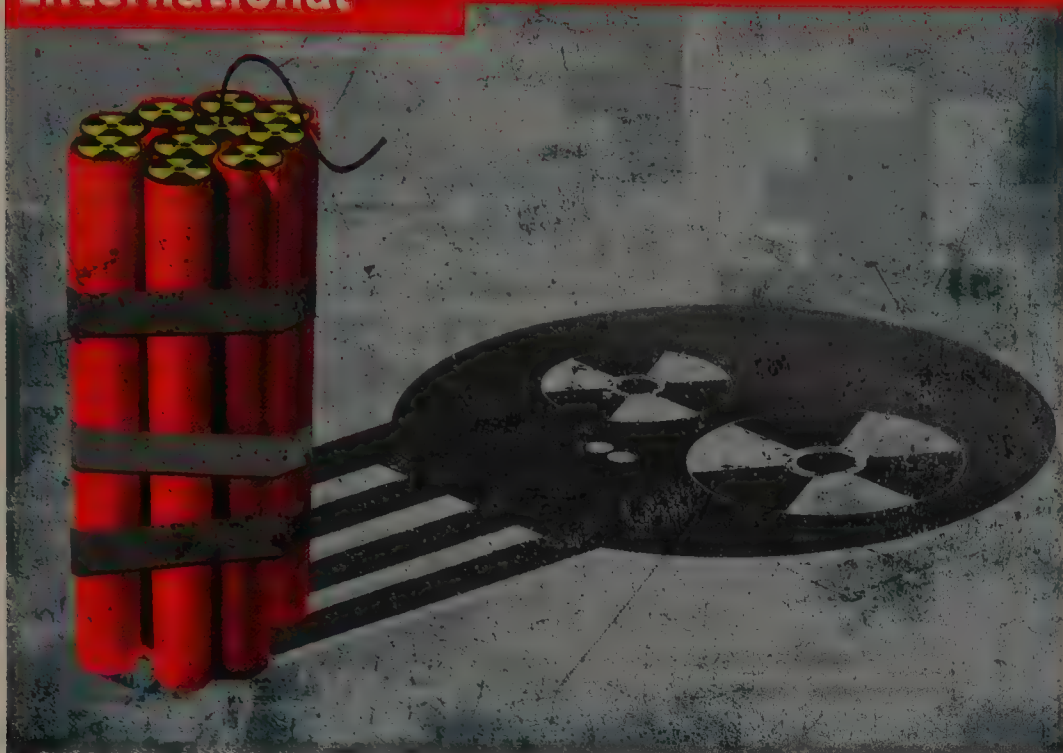
It is not hard to see what Mr Balls should do to gain more public trust. He needs to talk a good deal more about the tight spending constraints a Labour government would have to adhere to. He has so far done little more than gesture towards this; as chancellor, Mr Balls has said, he would follow his predecessor's spending plans for a year, which is merely pro forma for most new governments. Mr Balls has also—again too infrequently—suggested that new Labour spending would be funded by cuts elsewhere. Yet the cuts he has promised—principally an almost comically modest reduction in a fuel allowance for pensioners—are so footling when set against Britain's huge public debt burden as to give the opposite of the impression intended.

Enough differentiation

The popular explanation for this failure is ideological. The left exists to redistribute wealth: if there is nothing to redistribute, what is the point of the left? Yet Mr Miliband, in his zeal to mould a fairer sort of capitalism—as signalled by his recent assault on household energy prices—is at least threatening to provide an answer to that question (albeit not one the more businesslike Mr Balls shows much enthusiasm for). Another, perhaps more important, explanation is political—as signalled by the fatalistic note the shadow chancellor struck in telling his critics to get stuffed.

Labour seems to have given up competing with the Tories on fiscal responsibility. It is instead expending its energies on differentiating itself from them: Mr Miliband's carping about the high cost of living, with little mention of the uncompetitive, debt-laden economy underlying it, is an example of this. To be fair, the Tories are doing much the same thing. David Cameron, the prime minister, once tried to soften his party's image; now he bashes immigrants and welfare scroungers. Both leaders are ill-advised. At a time of shrinking tribal allegiances, most voters see not a reassuringly stark choice between the two biggest parties so much as an unsatisfactory one. Poll after poll suggests they want a government that is fiscally responsible as well as kind.

As the weakest player on Britain's biggest issue, Mr Balls needs fully to grasp and act on this simple truth. Whether the pugilistic pianist has it in him to do so is another matter. ■



Dirty bombs

Glowing in the dark

In the fight against trafficking in radiological materials, experts see some cause for cautious optimism

COMPARED with a thermonuclear detonation, the destructive power of even a large amount of conventional explosives wrapped in nuclear fuel or other radiological material is rather tame, notes Thomas Reed, who has designed two American nuclear weapons. But a "dirty bomb" (technically a radiological-dispersal device) is far easier to build than a nuclear weapon and would spread not just radiation but panic, adds Mr Reed, who later served as secretary of the air force. Little wonder, then, that nerves were rattled after the theft on December 2nd of a lorry carrying highly radioactive cobalt-60 from a radiation-therapy unit in Tijuana to a nuclear-waste facility near Mexico City.

Nuclear and radiological materials slipped out of regulatory control 2,331 times between 1995 and the start of this year, according to the Incident and Trafficking Database compiled by the International Atomic Energy Agency (IAEA). The materials are widely used in industry, agriculture and medicine. They are kept in many poorly guarded x-ray and cancer-treatment clinics. Such places are often not overseen with terrorism in mind. They have even been bought by crooks as front operations, says Rajiv Nayan, of India's Institute for Defence Studies and Analyses. Raids on abandoned uranium mines in the Democratic Republic of Congo are more frequent, according to that country's General Atomic-Energy Commission. The pro-

blem is most acute in the former Soviet Union: in Ukraine alone, roughly 2,500 organisations use radiological materials.

In Georgia a counter-trafficking unit set up by the interior ministry seven years ago has arrested two or three teams smuggling radiological material every year save 2009. The lure of profits is so strong that some ex-cons get back into the business, says Archil Pavlenishvili, leader of the unit. Interpol has said such trafficking is growing: an acute "real threat to global security".

It all sounds scary enough. But the reality has been less so. Moreover, by many accounts the most plausible dangers appear to be declining.

G-men with Geiger counters

For a start, an "overwhelming" number of buyers turn out to be undercover cops, says Mark Hibbs of the Carnegie Endowment for International Peace, a think-tank. A sizeable network of informers helps Georgia's interior ministry to keep a close eye on the four or five cells in the country currently trying to obtain or sell radiological material, says Mr Pavlenishvili. When one of them is lining up a potential deal, it is almost always because his or a foreign unit is preparing a sting operation, he adds. Mr Pavlenishvili's unit has not got wind of a single profitable sale—Georgia's underworld makes its money on other crimes such as drug-running.

Considering the growing risk and per-

Also in this section

68 Defining disability

sistent lack of money to be made, it is amazing that smugglers continue to give it a shot, says Lyudmila Zaitseva, an academic working on a University of Salzburg database on nuclear and radiological trafficking. Many traffickers no doubt reckon that terror groups will pay dearly for dirty-bomb ingredients. After all, counter-terrorism officials citing seized al-Qaeda documents have said as much. Yet although a terrorist-made dirty bomb of mass destruction cannot be excluded, it remains unlikely. For one thing, rooting around to obtain dangerously radioactive material is a great way to attract the attention of the authorities. A bust could doom a painstakingly assembled terror cell.

In any case, most of the stuff being peddled is fraudulent rather than dangerous, says Adrian Baciu, head of the Romanian police's nuclear and radiological unit until 2004 (he later worked for four years in Interpol's counter-terrorism directorate). To hype their products, sellers typically describe it as material used in a nuclear bomb, a reactor, the Space Shuttle or the like. "Excuse my language...just bullshit," says Mr Baciu. In one sting, he arrested four men trying to sell, for several hundred thousand dollars, material from a calibration kit for radiation-detection equipment. It could be safely handled with cotton gloves. Another cell tried to pass off as dangerously radioactive a piece of ordinary iron. Trafficking in Romania, he says, has tapered to almost nothing.

Russia and other countries have greatly tightened control over radiological materials since thefts peaked in the early post-Soviet years. No highly enriched weapons-usable uranium or plutonium has been reported stolen since the 1990s, according to Ms Zaitseva. (The small amount intercepted since then appears to have been stolen earlier.) Losses of less hazardous low-en- ►►

► riched fissile material have fallen sharply. Employers are getting better at identifying potential risks, says Ray Landis of the Nuclear Energy Institute in Washington, DC. Employees' travel itineraries are reviewed. An industry-wide computer system flags workers whose changing circumstances might lead to stress or need of money, perhaps to prevent a home foreclosure or to keep custody of a child.

Beyond this, intelligence agencies are hunting down traffickers with help from special "link analysis" computer programs. Also known as "network analysis" software, this crunches data from numerous sources to identify people whose travel, purchases, web searches, communications, schooling and so forth may spell trouble—perhaps an employee in radiation therapy who begins frequenting an inconveniently located bar whose owner receives phone calls from a drug-runner with growing operations.

Half a dozen Western governments "pay huge amounts of attention" to this, says an executive at a developer of the software. At least one spy agency in America, Australia, Britain, Canada, New Zealand, and an unnamed European country pays more than \$1m a month to use it. The counter-trafficking units in both Georgia and Romania note that link-analysis software made by i2, owned by the giant IBM computer company, has helped to nab traffickers. Atsuko Nishigaki, the unit's boss, says Japan's economy ministry employs ten analysts to use a competitor's software to identify traffickers in nuclear or radiological material.

America's National Nuclear Security Administration has sponsored the installation of radiation-detection kit at ports in 23 countries and counting. The Megaports Initiative, as it is called, aims to have half of the world's maritime container cargo routinely scanned by 2015. Networked systems are also being developed with detectors small enough to be worn on a police officer's belt. The idea is to relay data on potentially dangerous radiation through a mobile-phone network to a central computer. Knowing each device's location and the strength of the radiation it detects, the computer can "triangulate" the source's approximate location.

Negative isotope effects

Difficult problems remain. False alarms triggered by anything from a pallet of cat litter to radiation-therapy patients and nuclear-power-plant shipments have slowed research and development on one such network at the Lawrence Livermore National Laboratory in California, says Simon Labov, a co-ordinator there. Even so, the lab's work continues to be financed by America's defence, energy and homeland-security departments. In October 2013 the latter's Domestic Nuclear Detection Office

asked for proposals for a similar system, dubbed Human Portable Tripwire. Other outfits that have developed technology for such schemes include Smiths Detection in Britain and, in America, Berkeley Nucleonics, General Electric, GENTAG, Passport Systems and Purdue University.

The sheer danger of making a dirty bomb is a factor too. Without the right equipment and expertise, the really nasty stuff can kill the maker of a bomb before it is ready—part of the reason, perhaps, that no spectacular dirty-bomb attack has yet been launched. Following the cobalt-60 theft in Mexico, an IAEA statement noted that, if unshielded, its gamma rays would probably kill people next to it in an hour—or perhaps just minutes.

In the event, five of the six people arrested for the theft on December 5th had avoided exposure and the sixth appeared unharmed. Mexican authorities believe that their aim was to steal the Volkswagen lorry, not the cobalt. Its movable platform and crane made it a valuable prize. ■

Disability

Who counts?

Defining disability is tricky—and measuring it is even harder

LORETTA CLAIBORNE was born partially blind and could not walk or talk until she was four. Officials recommended that she be put into an institution—a common treatment for America's "defectives" in the 1950s. Her mother refused. Today Ms Claiborne has 26 marathons and a black belt in karate to her name. She travels the world to speak for people like herself.

Disability—marked by an international day of action on December 3rd—can mean being blind, deaf or wheelchair-bound. But far more disabled people have such common chronic conditions as pain in the lower back (the greatest global cause of years lived with a disability). American labour law also counts high blood pressure and asthma as disabilities.

Measuring pain and misery is hard. Over 1 billion people—one in seven—have some kind of disability, according to the World Health Organisation. But that may be on the high side. America's Census Bureau, which has been counting the disabled since 1830, found 57m in a survey of economic status in 2012. That was nearly one in five, of whom half said their disability was severe. A national housing survey counted a mere 22m, whereas a health survey tallied 62m. Ireland's 2006 census found a disability rate of 9.3%. The 2011 round also asked about pain and breathing

troubles; it reported a rate 40% higher

Definitions change over time: the UN Convention on the Rights of Persons with Disabilities calls disability an "evolving concept". In America "imbeciles" and "defectives" were segregated and sterilised until the 1960s. Some count dyslexia and autism as a disability. Others, including many with these conditions, fiercely contest what they see as a negative label.

The effect of a disability also depends on what means are available to cope with it. A survey in Zambia found that more than four out of five disabled people lacked the devices and aids they needed. What may be a nuisance in a rich country can be truly crippling in a poor one.

This makes it hard to decide the threshold at which disadvantage or woe merits recognition or special treatment. Sports administrators wrestle with this. Somebody who is legally blind in his home country, for instance, may not be sufficiently visually impaired to compete in the Paralympic game of goalball—which involves rolling a ball with a bell inside into the opposing team's goal. Paralympic players wear eye masks, though that might cause some to ask why sighted people may not play too.

Technology has created a host of new solutions—and problems. Visitors to the Smithsonian National Air and Space Museum in Washington, DC, have been flocking to see the Bionic Man, a figure built from the most advanced artificial body parts. These replicate more than 50% of the human body. His arms and legs have the range of movement of real limbs. Hooked to a living body's nerves, they can be controlled by the brain, just like healthy limbs. Such fixes are pricey. Bionic eyesight costs over \$150,000. Robotic arms are \$20,000–120,000 apiece. Yet if you think that is costly, imagine the forthcoming legal wrangles about whether such pieces of equipment negate disability, or even give unfair advantages to people who use them. ■



Loretta Claiborne: no pigeonholes please



Comcast's future

Thinking outside the set-top box

NEW YORK

America's largest cable company is becoming more like the firms it is battling against for the attention of couch potatoes

WHEN Comcast, America's largest cable operator, took a stake in NBCUniversal (NBCU) in 2009, "30 Rock", a popular NBCU comedy, wove the deal into its plot. The programme's characters came under the thumb of a new corporate parent, "Kabletown", which introduced innovations like moving customer services to a part of India with no phones in order to "provide the same level of service at zero cost". Comcast employees can take a joke. Last month, at a gathering to celebrate Comcast's 50th anniversary, they showed a clip of the show, to the amusement of the firm's real employees.

A sense of humour is a sign of confidence. Thanks to the \$28 billion it spent to acquire NBCU, Comcast is the world's largest media firm, with a market capitalisation of around \$128 billion. NBCU gave Comcast control of a range of new "content", including broadcast and cable networks, a Hollywood studio and a theme-park business. Comcast is also America's most powerful media business, because it controls what people watch and the pipes that deliver it. In its efforts to retain that position it is having to adapt to the new ways that people want to watch TV and consume entertainment that smaller rivals are pioneering.

The cable business has changed dramatically since Ralph Roberts purchased a small cable system in Mississippi in 1963.

Today his son, Brian, runs a firm operating in a vast and mature business; nearly 86% of American households subscribe to pay-TV. This has forced Comcast and other cable firms to increase revenues by raising prices (see chart) rather than by chasing new viewers. But not every viewer will tolerate high prices. The proportion of households with pay-TV has fallen slightly since 2010 as some have "cut the cord". Comcast now has 21.6m subscribers, 1.6% fewer than a year ago.

As well as cord-cutters Comcast and other cable providers must defend their turf from a pack of new entrants. These include telecoms firms such as Verizon and AT&T, which offer pay-TV and fast broad-

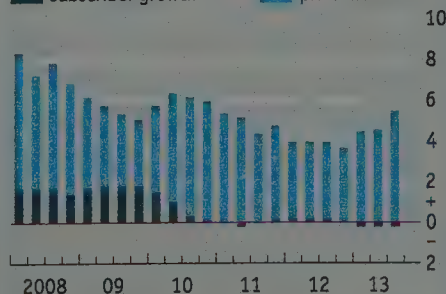
Turn on, tune in, pay up

Pay-TV industry revenue
% change on previous quarter

Contribution from:

■ subscriber growth

■ price increases



Source: MoffettNathanson

Also in this section

70 Companies and carbon emissions

71 British lawyers in Dubai

71 America's Christmas-tree market

72 Restructuring EADS

72 GM's new boss

73 The journey of an Indian onion

74 American food distribution

76 Schumpeter: Ties that bind talent

For daily analysis and debate on business and our weekly "Money talks" podcast, visit

Economist.com/business-finance

band, and firms that stream video over the internet, such as Netflix and Amazon. These companies have not killed cable, but they have helped to shape the way people want to watch programmes: increasingly, on mobile devices and at a time of their choosing. Netflix is popular with the young. Around 20% of households headed by people under 25 do not have a television but watch programmes on other devices, such as laptops and tablets. If Netflix were a cable channel, its subscription revenues in 2013 would put it third in America behind ESPN and HBO, according to MoffettNathanson, a research firm.

Comcast has responded by trying to resemble the firms that could unseat it, offering more interactivity, personalisation and portability. "Television is going to change more in the next five years than it has in the last 50," says Brian Roberts. Comcast executives talk about "apps" for the television and rolling out innovations every three to six months. The firm is paying particular attention to its user "interface", or what, until recently, was called a TV guide. Comcast's is now arranged not numerically by channel, but alphabetically by programme, by network and type of content. Couch potatoes even less inclined to effort can download an app to their iPhone and shout commands at it to locate shows.

Comcast's new set-top box is "cloud-based", adding to the potential for flexibility: films and programmes stored in the cloud can be watched on any device. It tracks viewing history and recommends programmes accordingly, much like Netflix. Comcast has made it easier for TV-watchers to find their way to full seasons of episodes that are available on-demand so people can "binge" on shows.

Other pay-TV providers are experimenting with new features, and some

► have approached Comcast to license its technology. One popular idea is “TV Everywhere”, which makes it possible for pay-TV subscribers to watch live and on-demand programmes on their mobile devices wherever they like. It has started slowly but is taking off as more content-owners agree to license the digital rights to their programmes. Tools like this may help Comcast and its rivals justify their high prices and convince people to stick with their television package.

Giving customers more products to keep them around for longer is an old tactic. Cable companies have long offered “bundles” of broadband, television and phone line. Comcast is going much further with its home-services business, which includes alarm systems, baby monitoring and temperature control. And it is bringing in partners. In October Comcast teamed up with Twitter to allow its subscribers to find or record programmes that are being tweeted about. Like its competitors it is also testing smaller, cheaper packages of television channels and broadband, to appeal to cost-conscious youngsters.

The greatest change for Comcast is the reorientation of its business towards broadband. By next year Comcast may well have more subscribers to its broadband services than for television. Those who eschew pay-TV will still need an internet package, and cable could pick up customers from satellite operators, whose internet speeds are slower. “Ironically content going to the internet gives cable companies that monopoly power back to a certain extent, because you don’t have competition in broadband to the extent you have it in video,” says Kannan Venkateshwar of Barclays, a bank. Comcast and other cable companies are experimenting more with “usage-based pricing”, charging more for heavy data consumption.

Mr Roberts has always had big ambitions and an appetite for deals. In 2004, two years after he became boss of Comcast, he launched an unsuccessful \$66 billion hostile bid for Disney. The deal with NBCU pushed Comcast to a new level in size and clout, at a time when most media companies were slimming down to focus on what they did best. Time Warner, a content firm, has spun off Time Warner Cable (TWC); next year it will do the same with Time Inc, its magazines business.

The hunger games

Even Comcast’s few critics acknowledge that the firm secured an excellent price and favourable terms for NBCU. The rationale was that adding content would provide a hedge to Comcast’s core cable business. But few feel that there have been any significant benefits from content and distribution sharing a parent. “I would be just as happy if they had not bought NBCU,” says one Comcast shareholder.

He might be happier to hear rumours that Comcast has hired a bank to advise it on a possible bid for TWC, America’s second-biggest cable operator. This would give Comcast 34% of the American market. Scale can help cable firms compete with rival pay-TV services, and give more leverage in negotiations with content-providers, which continue to raise the cost of carrying their programmes. That’s why Liberty Global, a rival cable company, has its eye on TWC too. It has taken a stake in Charter, another cable operator keen to merge with TWC. Comcast is saying nothing about a deal, and some ask whether regulators would even allow it. “30 Rock” has already concluded its final season. Who will mock Comcast, if Kabletown becomes Kablecountry? ■

Companies and emissions

Carbon copy

Some firms are preparing for a carbon price that would make a big difference

THE markets for CO₂ have had about as good a year as Obamacare. Europe’s emissions-trading system (ETS), the world’s largest carbon market, collapsed in April. Australia’s new government is killing off that country’s fledgling market. Yet companies are blithe. “Internal carbon prices”, the price of a tonne of CO₂ used for planning purposes within firms, are becoming an increasingly common business tool. Perhaps firms know something that markets and politicians do not.

A study by CDP, a research group, asked large firms based or operating in America what tools they had for managing risk; 29 said they used an internal carbon price. Anecdotally, more apply such a price but did not mention it as a risk-mitigation mea-

sure. This is the first economy-wide picture of how far internal carbon pricing has gone and what it is used for.

The prices range from \$6-7 a tonne of carbon dioxide at Microsoft to \$60 a tonne at Exxon Mobil. The span is not surprising, since companies use carbon prices for different purposes. As a rule, those whose assets have a long productive life and which might be affected by green policies far into the future (such as oil companies) use higher prices than consumer-goods firms whose products are mainly influenced by current policies (see chart).

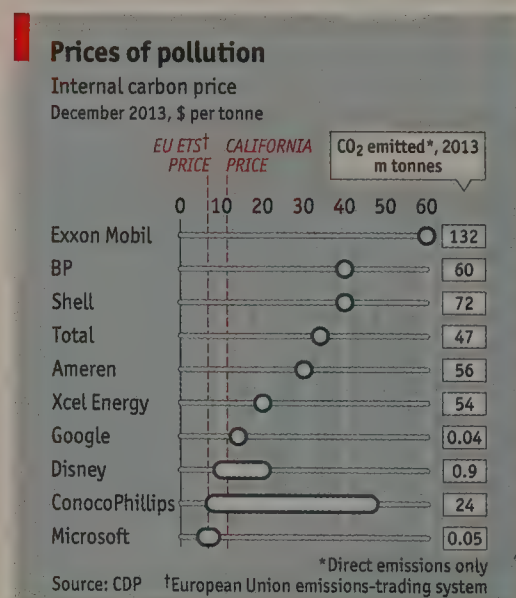
For many companies the aim is to prepare themselves for future environmental legislation. AEP, a power supplier, says it uses the system because “it assumes a price of carbon...will begin in the US by roughly 2020.” Delta Air Lines says it uses a price for evaluating flights to Europe “in anticipation of compliance with EU ETS.”

This is not the only reason. Many firms use an internal carbon price to calculate the value of future projects and to guide investment decisions. ConocoPhillips, an oil firm, requires that capital projects worth over \$75m calculate the cost of emissions based on a price of between \$8 and \$46 a tonne, depending on the life of the project. The forecast value of a new oilfield would be: estimated output multiplied by the estimated future oil price minus development costs and carbon emissions.

Shell, another oil company, applies a carbon price—\$40 a tonne—to some current operations, not only future ones. The idea is to identify “tall poppies” (units with disproportionate pollution). The price implies that existing projects could spend up to \$40 to reduce a tonne of CO₂ (through things like energy efficiency). Angus Gillespie, Shell’s vice-president for CO₂, says “we apply the carbon price as much to spur mitigation as to quantify risks.”

Disney, a media conglomerate, goes further still. It invests in schemes to offset or reduce carbon emissions and charges the cost of these to business units in proportion to how much they contribute to the company’s overall emissions. In effect, this works like an internal carbon tax.

Perhaps the most intriguing thing about the prices, though, is how high some of them are. The market price of carbon is €4.90 (\$6.70) per tonne of CO₂ in the EU, \$11.50 in California. Big oil companies charge \$34 or more. That is closer to the “social cost of carbon”—the damage from an extra tonne of CO₂—than to the market price. America’s administration recently estimated the social cost at \$37 a tonne. These prices change behaviour. A huge amount of attention is paid to government action. But the sort of carbon price some companies are using for planning would, if it became a market price, have a much bigger impact than any of the policies that governments are now talking about. ■



British lawyers in Dubai

Money for old laws

New international courts in Dubai are giving British legal firms a boost

WHEN the United Arab Emirates gained its independence from Britain in 1971, little did it expect a second wave of colonialists: British lawyers. Clifford Chance, a London-based legal giant, opened a small office in Dubai in 1975 as it began to emerge as a commercial centre. Allen & Overy followed in 1978. As Dubai boomed, lawyers from Britain and other countries flooded in, soon crowding its legal market. A new type of court may yet give British legal minds an advantage over both local lawyers and foreign rivals.

Hoping to become the Middle East's legal hub, in 2011 Dubai International Financial Centre (DIFC) threw open its courts to disputes from any country, provided both parties agree to be bound by its decisions. The attraction is that the courts use the English language and operate in public under English-style common law (Scotland has a different legal system). This makes the legal process more transparent and much less risky for Western firms, which are put off by the reputation of Dubai's local civil-law courts for favouring Emiratis over foreigners, according to Will Buckby at Beale & Company, a law firm.

British firms already appear to be benefiting. Since 2011 British lawyers in Dubai say they have been inundated by requests to draw up commercial contracts stating disputes have to be resolved in the DIFC courtrooms. More new work has been generated since the courts opened up. In their first year after the change, the value of disputed contracts under their consideration increased by 400%. And as a forum for arbitration, the DIFC courts are doing well. Around 95% of cases are resolved before they are heard formally. Inspired by the DIFC's success, Qatar has already opened its own international courts. Abu Dhabi plans to follow suit next year. And Saudi Arabia has in the past expressed interest in setting up a private arbitration court in London.

British lawyers are well placed to take advantage of this trend towards international courts. It is handy that the courts speak their language and use their law. And many of the judges have an English legal background. Not only have big firms such as Allen & Overy expanded operations in Dubai; smaller firms are rushing to set up offices there too. More than 30 are now based in the DIFC area alone.

English law is likely to remain first choice for commercial contracts in the

Christmas trees

Boughs of jolly

EASTON, CONNECTICUT

Farmers and vendors see green in fresh-cut Christmas trees

FRANÇOIS, also known as "The Tree Man", sets up his stand every year on the corner of 102nd Street and Broadway. He and the 500 Christmas trees he brings from Quebec have become a fixture in Manhattan's Upper West Side. For up to five weeks he sells the trees by day for \$20 to \$300, depending on size and quality, sleeping in his van at night. What he earns is, he says, the "icing on the cake" of his annual income.

The Tree Man is a small branch of a big business. According to a survey by the National Christmas Tree Association (NCTA), a trade group, Americans spent more than \$1 billion on 25m trees in 2012. The average price they said they paid was \$40. But not all Christmas trees are alike. People on the East Coast like Fraser firs, with their typical evergreen fragrance. Oregon's Grand Fir, which has an orange-like scent, is popular in California.

Many homes can no longer make do with the festive cheer that only one tree brings. Bob Sedlatschek of Home Depot,

a chain store which expects to sell 2.8m trees this year, notes that some households are buying several. Lou Mignone bought five this year, cutting down the last at Maple Row Tree Farm in Easton, Connecticut, where mums and dads wearing Santa hats meander round the lush 200 acres (81 hectares) looking for the perfect sapling. About a quarter of buyers like to pick their own at tree farms (with admirable disregard for health and safety, saws are supplied).

Scott Edwards, who owns Maple Row, a former dairy farm in his family for 200 years, makes all his sales in the four weeks before Christmas. His is one of 15,000 such farms in America. Most are small and family-owned. Easton, the Christmas-tree capital of Connecticut, is home to half a dozen, all located within a few miles of each other. Every second car leaving the area has a tree or two strapped to its roof. Those who find sawing a fir too laborious and choosing one from a tree seller too time-consuming can turn to technology. Harry DeLucia and his brother set up a website, nyctrees.com, where New Yorkers can purchase trees grown in New Jersey.

If that is too much bother an artificial tree might be the answer. Rick Dungey, of the NCTA, dismisses the artificial sort as "plastic tree-shaped decorations". Americans tend to agree, buying more real trees than fake ones. Of 35m sold every year, 70% sprout from the ground. Despite a rise in sales a decade ago, fake trees have lost their sparkle since the financial crisis. But according to the American Christmas Tree Association, a trade group that claims to represent both types of tree, 83% of homes have a fake shrub.

They may be less work and serve for many Christmases, but they make greens cringe. Once Christmas is over, most real trees are recycled. The needles, however, will periodically turn up on the sitting room floor until Easter.



No fake fir for her

Middle East. Unlike civil-code systems, English law evolves through case law to stay more up to date with the wider world. For instance, recent rulings loosening the requirements for foreign companies wanting to liquidate themselves in English courts have boosted the use of some parts of corporate law. British law firms will also benefit from Dubai's resurgent finance and construction sectors. Well over half of all financing agreements in Dubai are already written using English law.

A more serious threat to British legal firms would be if "American law firms start to outcompete them", according to James Martin, a lawyer at Linklaters based in Dubai until recently. Some American law firms, such as Cleary Gottlieb, have started to expand in the Middle East, and more will surely do the same. There is a strong case to be made that British firms are leading the way in the Gulf, but the jury is out on whether they can stay ahead for the long haul. ■

Restructuring European aerospace

Enders justifying means

PARIS

The effort to run EADS like an ordinary company

ARNAUD MONTEBOURG must look back on September 16th with a certain wry amusement. That was the day the French industry minister visited Elancourt, west of Paris, where the defence arm of European Aeronautic Defence & Space (EADS) conducts research on cyber-security. The government had just publicly identified the sector as one that could propel France to a new industrial future, and Mr Montebourg waxed lyrical on site. Then on December 9th EADS announced that it was cutting 5,800 jobs across Europe as part of a reorganisation of its defence and space activities.

In the past such an announcement would have set off a barrage of accusations, and not only from the firm's workforce. Relations among the company's main government shareholders—France and Germany—have long been strained. Those between Tom Enders, the chief executive of EADS, and Angela Merkel, Germany's chancellor, are no better.

It was Mrs Merkel who stopped a proposed merger last year between EADS and BAE Systems, a British defence firm. Mr Enders saw the deal as a way to win EADS a seat at the top table in the defence business. Mrs Merkel thought it would reduce German influence over EADS and shift jobs out of Germany. The merger was abandoned amid bitter recriminations, leaving Mr Enders determined to transform EADS into a normal commercial company focused on the profitability of its businesses rather than the nationality of its workers.

That the mudslinging this time has been relatively restrained is a sign of how far EADS has travelled down that road. The German economics ministry asked that the cuts do not bear down disproportionately on its country, where most of the defence operations are based. Mr Montebourg thought it unacceptable that a profitable company with a bulging order book and state support had to cut jobs.

Neither government looks likely to intervene. France now owns just 12% of the company, Germany less than 11% and neither now has a veto over management decisions. Both can see that, however successful EADS is these days in commercial aviation, it is too small, too cost-heavy and too Eurocentric to compete globally for defence and space business, especially at a time when developed countries are cutting their budgets.

The job losses (likely to prove less extreme than advertised) are part of a bigger reorganisation to reflect this reality. Next year EADS's four operating units will come down to three, as its existing defence and space outfits—Cassidian, Astrium and Airbus Military—are merged into Airbus DS. EADS itself will take its name from its best-known brand, becoming Airbus Group. No longer will the role of chief executive alternate between French and German bosses: Mr Enders will keep the job as long as the board wants him to remain. What of the research into cyber-security that Mr Montebourg ventured out to see one September morning? That, the company says, is here to stay. ■



GM's next boss

Detroit's first lady

DETROIT

The car giant's new boss is not only a woman but a "car guy"

IT MAY look like a firm stuck in one gear: General Motors' market share in America, at around 18%, has not shifted in a while. But on December 10th its announcement that in January Mary Barra will take the wheel to become one of the most powerful executives in the car industry, and indeed corporate America, signals a shift up through the cogs. Three years ago she became one of the highest-ranking women in the business when she was named head of global product development at GM. Almost as striking as the fact that she will now take the top job in what has traditionally been a male environment is that she is a genuine "car guy".

In some respects this is a step backwards for GM. She is a company woman who has spent her entire career working for the carmaker. Dan Akerson, GM's current chairman and chief executive, who retires next year, came to Detroit from other industries, as did his counterparts at Ford and Chrysler. That was a big change for a business distrustful of outsiders but in need of a new approach to leadership to oversee the turnaround of America's carmakers after the ravages of a financial crisis and a crippling recession.

As Mr Akerson noted, the new GM that emerged from Chapter 11 bankruptcy protection in 2009 is run very differently from the way the giant carmaker was managed in the past. When asked how Ms Barra might fare in a company known for its old-boy mentality, Mr Akerson insisted that the "perception is quite dated." During close to four years of leadership, Mr Akerson has concentrated on building teams rather than the top-down management of old. But as a former military man his brusque demeanour may have tempered his ability to resist ordering people around.

Ms Barra is likely to take a more conciliatory approach. "Mary is a coach, and that's the sort of management style this company needs," says David Cole of the Centre for Automotive Research. She was certainly groomed for the role. She is part of a generation of women targeted by GM to achieve great things.

The firm, embarrassed by its macho culture, has made a big effort to bring on female talent. Indeed, the carmaker now has a fast-growing cadre of top managers who are women; there are five more on its executive committee as well as Ms Barra. A quarter of its factory managers are female. A woman runs the crucial electric-vehicle programme.

GM will also benefit from Ms Barra's skills as a product person. She is an engineer who knows cars inside out. Mr Akerson leaves on an upbeat note. The carmaker's recent profits have exceeded expectations, its share price has risen sharply in recent months and many of its latest models are widely praised for engineering, design and quality. The new Chevrolet Impala was cited as the best saloon ever tested by *Consumer Reports*, an influential magazine. Still, Mr Akerson warns that "as far as we've come, we've got to go that far again." There is plenty more room for improvement.

Other models in GM's range are in need of the makeover she has already given to the Chevrolet Malibu and the company's range of pick-up trucks. Successive bosses have failed to fix Opel, GM's loss-making European arm. And the important Chinese market appears to be slowing. Ms Barra has to make sure that she keeps improving GM's line-up of vehicles if it is to take on Ford and Toyota. ■

The journey of an Indian onion

Lords of the rings

LASALGAON, MAHARASHTRA

Walmart, Carrefour and Tesco have been knocking on India's door, without much luck. The route of an onion from field to shopping bag shows why they are needed

NITIN JAIN is the big man in Lasalgaon, a dusty town a day's drive from Mumbai that boasts it has Asia's biggest onion market. With a trim moustache and a smartphone stuck to his ear he struts past a thousand-odd tractors and trucks laden with red onions. Farmers hurl armfuls at his feet to prove their quality. A gaggle of auctioneers, rival traders and scribes follow him, squabbling and yanking each other's hair. Asked why onion prices have risen so much, Mr Jain relays the question to the market. "Why?" he bellows. His entourage laughs. He says that the price of India's favourite vegetable is a mystery that no calculation can explain.

High food prices perturb some men and women even bigger than Mr Jain. Raghuram Rajan, the boss of India's central bank, is grappling with high inflation caused in large part by food prices: wholesale onion prices soared by 278% in the year to October and the retail price of all vegetables shot up by 46%. The food supply chain is decades out of date and cannot keep up with booming demand. India's rulers are watching the cost of food closely, too, ahead of an election due by May. Electoral folklore says that pricey onions are deadly for incumbent governments.

A year ago it seemed that India had bitten the bullet by permitting foreign firms to own majority stakes in domestic supermarkets. The decision came after a fierce political battle. Walmart, Carrefour and Tesco have been waiting for years to invest in India. They say they would revolutionise shopping. Only 2-3% of groceries are bought in formal stores, with most people reliant on local markets. They would also modernise logistics chains, either by investing themselves, or indirectly, by stimulating food producers to spend on factories, warehouses and trucks, and establish direct contracts with farmers, eliminating layers of middlemen.

On the ground little has happened. Foreign firms complain of hellish fine print, including a stipulation to buy from tiny suppliers. Individual Indian states can opt out of the policy—which is unhelpful if you want to build a national supermarket chain. In October Walmart terminated its joint venture with Bharti, an Indian group. India has reduced the beast of Bentonville to a state of bewilderment. Tesco has cut expatriate staff.

The reaction from politicians has been indifference. "We have liberalised...to the



Cry me a river

extent that we can. People have to accept this and decide whether they want to invest," said Palaniappan Chidambaram, India's finance minister. Despite the apparently obvious benefits of supermarkets and the experience of most other countries, few Indians seem to want change.

You're not in Bentonville anymore

Just how bad is India's food supply chain? To find out *The Economist* followed the journey of an onion from a field in the heart of onion country, in western India, to a shopping bag in Mumbai, a city of 18m onion-munchers. The trip suggests an industry begging for investment and reform.

"The system hasn't changed much—it's been the same since the 1970s," says Punjaram Devkar, an elderly farmer in a white cap. For generations his forefathers have grown onions near a hamlet called Karanjgaon. He owns a crudely irrigated six-hectare (14-acre) plot, larger than the national average farm of just 1.2 hectares. He does not want to buy more land; unreliable electricity and labour mean "it is too hard to manage." There are four onion crops each year—in a good season production is three times higher than in a bad one. To hedge his bets he also grows sugar cane. Costs have soared because of rising rural wages, which have doubled in three years. He says welfare schemes have made workers lazy. "They just play cards all day."

Storage facilities amount to a wooden basket inside a shed—at this time of year onions perish within 15 days, although the variety grown in the spring can last eight months. From here one of Mr Devkar's finest is thrown into a small trailer, along with the produce of nearby farms, and taken to Lasalgaon. The roads are mostly paved but the 32km (19-mile) journey takes a couple of hours in a rickety old tractor.

Lasalgaon neophytes will find their eyes water upon entering its market, a huge car park full of red onions, trucks and skinny farmers. Although the auction is run twice daily by an official body, it doesn't look wholly transparent. Some farmers complain that Mr Jain and another trader dominate the trade (Mr Jain denies this). Prices vary wildly day by day and according to size and quality, which are judged in a split second by eye. The average price today is \$0.33 per kilo.

Neither traders nor farmers agree why prices have risen so steeply of late. They blame climate change, the media, too much rain last year, too little rain this year, labour costs, an erratic export regime. "Our biggest problem is illiteracy," says one farmer. "We don't know how to use technology." Most folk agree that India needs better cold storage but worry that it is too pricey or that it ruins the taste of onions.

Farmers must pay a 1% fee to the auction house and a 4% commission to the traders. Sometimes they also have to stump up for fees for packing and loading. That takes place at several depots surrounding the market where farmers must drop off their loads and pour them onto tarpaulins on the ground. The onions may wait there for days but once put into hessian sacks they are loaded onto trucks operated by separate haulage firms and owned by intricate webs of independent consortiums.

At 8pm Prabhakar Vishad, a 20-year veteran of the onion-express highway from Lasalgaon to Mumbai, climbs into a battered Tata truck with "Blow Horn" painted in big letters on the back. Over the years the roads have improved and power steering has made life easier. Still, it is dangerous work, says Mr Vishad, who had a bad crash last year. By 6am next morning he sets his bloodshot eyes on Vashi market on the outskirts of Mumbai. It handles 100-150 truckloads of onions a day—enough to satisfy India's commercial capital.

Onions are sometimes unpacked, sorted and repacked, with wastage rates of up to 20%. By 9am the market is a teeming maze of 300-odd selling agents, who mainly act on behalf of middlemen, and several thousand buyers—who are either retailers or sub-distributors. Everyone stands ankle deep in onions of every size. The bidding process is opaque. The selling agents each drape a towel on their arm. To make a bid you stick your hand under the towel and grip their hand, with secret clenches de- ▶▶

▶ noting different prices. Average prices today are about \$0.54 per kilo. If the seller likes your tickles you hail a porter. He carries your newly bought sacks on his head to a dispatch depot where another group of couriers takes them into the city.

"I'm crazy, like the guys you see in the movies. I don't negotiate," declares Sanjay Pingle. One of the market's biggest agents, he charges the seller a 6.5% commission. The buyers pay loading charges on top of that and a fee to the market. He says business is tough—bad debts from customers run at a fifth of sales and he has to pay interest rates of 22% on his own debts. The solution to the onion shortage is obvious, he says. "In China they keep things in storage facilities—if India had the same facilities as China has, prices would be lower." He says he has seen photographs of Chinese technology on his mobile phone.

By the afternoon thousands of cars and trucks are picking up small batches of onions to take them into Mumbai. In Chembur, a middle-class neighbourhood, Anburaj Madar runs a big sub-distributor. He handles 200 sacks a day which he sells to retailers and restaurants. He buys daily from Vashi market and has space to store only about 12 hours' worth of stock. Rent is dear and he too reckons cold storage destroys the flavour of onions. He marks up his prices by perhaps 20% but says a chunk of what he buys has to be thrown away—it is either damaged or of inferior quality.

For the onions that do make the cut the next stop is a small shop down the road where they are sold for another mark-up of 10% or so. From here Indubai Kakdi is hand-selecting onions with elaborate care. Buck-toothed and ragged, she sells seven kilos a day from a wooden barrow; she makes a 10% margin. She says climate change has made prices more volatile.

Peeling back the layers of truth

The journey of an onion from Mr Devkar's field to the end customer in Mumbai takes only a few days but is enough to make you weep. There are some underlying reasons why prices have risen—higher rural wages have pushed up farmers' costs. But the system is horribly fiddly. Farms are tiny with no economies of scale. The supply chain involves up to five middlemen. The onion is loaded, sorted or repacked at least four times. Wastage rates, either from damage or weight loss as onions dry out, are a third or more. Because India has no modern food-processing industry, low-quality onions that could be turned into paste or sauces are thrown away. Retail prices are about double what farmers receive, although the lack of any standard grading of size or quality makes comparisons hard.

The system is volatile as well as inefficient. Traders who buy onions from farmers may hoard them, but for the supply chain as a whole far too little inventory is

stored. As a result small variations in demand and supply are amplified and cause violent swings in price. In the first week of December 2013 prices fell again.

It is easy to see how heavy investment by supermarket chains and big food-producers—whether Indian or foreign—could make a difference. They would cut out layers from the supply chain, build modern storage facilities and probably prod farmers to consolidate their plots.

The shoppers of Chembur agree that

Indian onions are the world's tastiest but are fed up with price swings. No one mentions reform as a solution and until there is popular support and political leadership it is hard to see much changing. And what of the last stage of the onion's odyssey, to the stomach? By one stall stands an elderly lady who says she likes the vegetable so much that she doesn't bother to cook it. Instead she chomps on raw onions as if they were apples. At least someone has an eye on efficiency. ■

American food distribution

Meal deal

NEW YORK

Sysco shows how to distribute food with ruthless efficiency

WHEN John Baugh and his wife Eula Mae launched Zero Foods in 1946, to deliver frozen food to businesses in Houston, America's distribution system consisted of countless small local firms. So Baugh set about consolidating it. In 1970 he persuaded eight similar firms to merge with his to form the Systems Services Company (Sysco), which he then expanded through a series of acquisitions. Baugh died in 2007, but on December 9th his firm announced a deal which, if antitrust regulators approve it, may be the culmination of his visionary strategy to build the type of modern and efficient food-distribution system that India lacks (see main story).

In an acquisition valued at \$8.2 billion, Sysco will buy US Foods, its closest rival in America. There has been speculation for years that these two firms would get together. Indeed, William DeLaney, Sysco's boss, says he consid-

ered buying US Foods seven years ago, but decided that the price was too high.

Thanks to its strategy of acquisitions and an obsession with cost control and efficiency it got from Baugh, Sysco has long been the market leader in delivering food, frozen and otherwise, to schools, fast-food chains and even fancy Michelin-starred restaurants such as the French Laundry in California's Napa Valley. With US Foods it will account for over a quarter of the American market. Food producers will not relish the extra clout of the combined firm. Likewise, restaurants, which will lose the chance to get lower prices by playing off Sysco and US Foods against each other. So the merger will provide a stern test for Barack Obama's antitrust enforcers after their recent attempt to block the merger of American Airlines and US Airways fizzled out embarrassingly.

After a hard year of slow growth and a scandal over poor storage of perishable food in some depots in California, Sysco hopes to return to what it knows best, stripping out costs. The outlook may be grim for employees of US Foods, who had hoped for an easier exit from six years of ownership by Clayton Dubilier & Rice and KKR, two private-equity giants. Workers would doubtless have preferred an initial public offering or even a sale to a big retailer like Walmart.

Successfully integrating two such sprawling, decentralised firms (Sysco alone has more than 70 operating businesses in America) is likely to take several years. That will create opportunities for smaller rivals such as Performance Food Group and the innovative Gordon Food Services to poach customers disgruntled by the merger process. It will also hold back Sysco's efforts to apply its strategy to markets outside America. Many of them are almost as fragmented as America's when Baugh started earning his reputation as the "Sysco Kid".



Dinner is served

Can financing the future *begin today?*



For innovative companies like yours, patience is anything but a virtue. The breakthroughs that will grow your business and improve lives tomorrow need to be in development today. At Barclays, we're just as driven to help you succeed. We focus on understanding your company inside and out, so we can put together the financing solutions that fit best. That way, you can get started on what's next sooner rather than later. Because a lot can happen when your ambition meets our drive to help you realize it. Get macroeconomic insights daily at barclays.com/realizations



Schumpeter | Ties that bind

The market for smart people is clogged up by all manner of dubious legal restrictions



THE business press is full of heartwarming stories about the “talent wars”. It reports that eBay pays its lead technologist twice as much as its chief executive. Apple recently slipped a high-flyer \$8m to prevent him from jumping ship. Tech firms regularly spend lavishly on startups in order to “acqui-hire” their employees. They also compete furiously to provide workers with the best food and the most fashionable yoga instructors.

But the talent wars have a darker side, one that is fought with lawsuits and handcuffs rather than bonuses and California rolls. Firms are increasingly resorting to litigation—some of it extraordinarily unpleasant—to prevent employees from moving to rivals. The result is that the labour market is becoming clogged.

The most popular weapon on this front is the “non-compete” agreement, which prevents employees leaving a firm from working for a rival for a fixed period (usually up to two years but as many as five in Italy) or setting up a competing business. These were once mainly confined to the upper ranks of knowledge-intensive firms. Now they are ubiquitous: about 90% of managerial and technical employees in America have signed them.

Other weapons in the arsenal include “confidential information” and “pre-invention assignment” requirements. Companies can prevent former workers (including those who have not signed non-compete agreements) from moving to a rival on the ground that they are taking trade secrets with them. They can also assert astonishingly wide-ranging rights over their employees’ inventions—claiming ownership of ideas that people had been working on for years before they joined the firm or which they came up with in their spare time or even after leaving.

It is easy to see why companies like these weapons. Firms can lose millions of dollars’ worth of knowledge and contacts when a senior executive joins a rival. They can lose even more if the executive knows their secret recipe or algorithm. It is equally easy to see why employees hate them. Non-competes prevent people from selling their labour for long periods during which skills atrophy and contacts fade away.

How can the competing claims of employers and employees be reconciled? Judges have tended to put a heavy emphasis on the free-rider problem in dealing with this conundrum. Employers have little incentive to invest in training and innovation if the

beneficiaries can move to a rival whenever they feel like it. Restrictions like non-compete clauses ultimately benefit everybody because they increase companies’ incentives to invest in human capital without that fear.

A new book, “Talent Wants to Be Free”, by Orly Lobel, a law professor at the University of San Diego, presents a powerful counterblast to this argument. The drawbacks of the free-rider problem are as nothing compared with the advantages conferred by mobility. The free flow of talent encourages economic efficiency because it allows people to work in jobs and for wages that fit their skills. And no one likes being tied down. It also encourages innovation because it spreads information, extends professional networks and encourages cross-fertilisation.

An obvious example of the virtues of mobility is California: the home of Silicon Valley and Hollywood has been more reluctant than any other state to recognise non-competes and other restrictions on the tide of talent. This might be pure coincidence. But California is part of a more general pattern. American states with weak restrictions have better records of capital investment and innovation than those with strong ones. Freedom of movement is especially valuable for startups, which can easily be beaten to death by incumbents wielding a legal stick. Places in the West with lenient restrictions, such as the Scandinavian countries and Israel, tend to be more innovative than countries with tough ones like Germany and France.

That a free market for skilled people benefits the economy as a whole seems to offer cold comfort to firms that open themselves to raiders. But Ms Lobel retorts that the free flow of talent is good for individual companies whether they win or lose a particular battle in the wars. Firms that operate in such open markets for the highly skilled tend to have better-quality human capital. They make more use of performance-related rewards in a bid to recruit and retain stars. Those that lose their best people to rivals can also benefit by learning about their own weaknesses: Schlumberger, an oil-services firm, conducts internal inquiries whenever it loses somebody it wants to keep. Firms can also benefit from a raider’s success: Cooley, a big law firm, suffered angst over losing a leading lawyer to a then unknown website. It was forgotten when their ex-employee hired the company to act as eBay’s counsel for its \$63m IPO.

America’s got talent

Ms Lobel can sometimes take her case too far. Companies surely deserve protection from rivals who try to steal trade secrets by hiring privileged insiders. But her instincts are absolutely correct. Human capital is the most important source of wealth in the modern economy. It is a looming problem that established companies are weaving a web of legal restrictions on the free movement of talent.

Policymakers need to remove these restrictions: they should presume that free trade in human talent is a good thing unless there are obvious attempts to steal corporate secrets. And firms need to stop regarding workers as chattels. McKinsey has done well by treating its ex-employees as alumni to be stroked rather than enemies to be persecuted. Other companies should do likewise. A ball and chain might look like a good idea when confronted by an aggressive competitor. But there is a reason why it is an impediment seldom associated with front-runners. ■



The Volcker rule

More questions than answers

NEW YORK

A push to make America's banks safer creates new uncertainties

THE 37 words inserted into the 848-page Dodd-Frank law overhauling the regulation of America's financial institutions seemed innocent enough. Lawmakers wanted regulators to come up with strictures that would prevent banks from gambling with deposits insured by the federal government. The resulting rule, named after a prominent proponent, Paul Volcker, a former head of the Federal Reserve, prohibits banks from "proprietary trading", meaning transactions conducted purely for their own gain, rather than to serve clients. On December 10th five different regulatory agencies approved the Volcker rule; it will come into force, awkwardly enough, on April 1st.

During the three years between its conception and birth, the rule has grown into something much bigger and more complicated than its origins would have suggested. The final version boasts 963 pages, and contains 2,826 footnotes as well as 1,347 questions. (Much of this is a preamble addressing public comments, but that will nonetheless serve as guidance for the rule's implementation.)

The immediate impact of all this verbiage will be small. America's biggest banks had already eliminated the most obvious forms of proprietary trading in anticipation of the rule. Their share prices rose slightly after its release, perhaps out of relief that it was not as burdensome as some had expected.

By June large banks must begin reporting some data; full compliance with the rule is not required until July 21st 2015. The rule aims not just to curb risk-taking directly, but to enhance monitoring of it too. Bosses will have to sign statements attesting to the existence of compliance schemes, although not to compliance itself—the kind of carefully constructed arrangement that underscores how very conscious bank executives are of risk, if only on their own account, as it were.

The final rule could have been more onerous than it was. An earlier draft had proposed prohibiting banks from buying securities unless they knew that their clients wanted to buy them. In effect, this would have prevented "market-making", whereby banks keep a supply of securities on hand, so that they can sell them to a customer on demand, or buy them from one even when they do not have another client lined up to pass them on to.

Without the liquidity banks provide in this way, pension funds and insurers would find it harder, more time-consuming and more expensive to buy and sell bonds and other financial instruments. The rule alleviates this worry somewhat by allowing banks to buy securities to meet "reasonably expected" demand from customers.

In practice banks will probably respond by making markets for a narrow range of securities that already trade fre-

quently, and thus might reasonably be expected to do so in future. Meanwhile, the securities that now change hands less frequently are likely to be shunned, making them even harder to trade. Government bonds are exempted from these rules, so banks may pile into them, although they are currently trading at unusually high prices, and so are far from risk-free.

Another worry relates to the rule's treatment of hedging. Banks often try to offset some of the risks they incur by, for instance, buying derivatives that would rise in value if defaults on loans or bonds were to increase. The new rule will force banks to tie each hedge to the risks of specific positions they have taken. Yet there are few perfect hedges that zig exactly as the countervailing investment zags. Instead, banks often resort to big "portfolio hedges", designed to protect against broad risks such as an economic downturn or a rise in interest rates, even though they may not perfectly correlate with its trading posture. Regulators, however, see such hedges as risky proprietary trading in disguise (JPMorgan Chase, an American bank, lost \$6 billion on one last year). The Volcker rule bans them.

Where, precisely, the line will be drawn between market-making and proprietary trading, or between legitimate and specious hedging, is anyone's guess. "A specific trade", explained Daniel Tarullo, the governor of the Federal Reserve responsible for bank supervision, "may be either permissible or impermissible depending on the context and circumstances within which the trade is made." This subjectivity hints at the to-ing and fro-ing to come, as regulators and courts gradually clarify the rule with precedents.

Unpleasant surprises may yet emerge. The American Banking Association, a pressure group, worries that the rule unin-

Also in this section

78 A deal for the WTO

79 The buoyant Australian dollar

79 Why oil benchmarks are diverging

80 Corporate entertaining in Japan

80 Voting rights at the ECB

82 Private banking in Switzerland

83 Free exchange: The wisdom of randomised control trials

For daily analysis and debate on economics, visit Economist.com/economics

► tentionally bars small banks, which are largely exempted from its strictures, from investing in financial instruments that currently form a big part of their capital. Jeb Hensarling, chairman of the relevant committee of the House of Representatives, claims it will increase electricity prices, dent pensions and constrict credit. "We are left with one more incomprehensible Washington regulation", he said, "that will do nothing to help our nation."

Daniel Gallagher, a dissenting member of the Securities and Exchange Commission (SEC), one of the five agencies that approved the rule this week, complained that he and his colleagues had been given only five days to review the revised draft of the rule before deciding on it. "All we can say for sure is that the final rule set jettisons scores of flawed assumptions and incorrect conclusions in favour of new, unproven assumptions and conclusions," he

noted dryly, calling its hasty adoption "the height of regulatory hubris".

The SEC's rush to vote, Mr Gallagher claimed, was the result of "intense pressure to meet an utterly artificial, wholly political end-of-year deadline." The administration of Barack Obama has been urging regulators to get a move on, to fulfil its promise to rein in reckless bankers. Whereas prior versions of the rule had been released for comment, the final one was made public only after it had been adopted, despite significant changes.

The SEC also did not conduct a cost-benefit analysis of the rule, as it normally does for new regulations. Officials say the laws from which the rule derives its authority do not require such a study, but there was nothing to stop the agencies involved from requesting one. Their failure to do so deepens suspicions that the rule will cause more trouble than it averts. ■

Even this less ambitious agenda, however, proved thorny. Cuba nearly scuppered the deal at the last minute by threatening to oppose any agreement that failed to chip away at America's embargo. In the run-up to the meeting Roberto Azevêdo, the director-general of the WTO since September, repeatedly warned that this or that disagreement posed a mortal threat to negotiations. Yet at each turn he kept the parties at the table until a compromise could be reached.

The trade-facilitation measures agreed in Bali could cut the cost of shipping goods around the world by more than 10%, by one estimate, raising global output by over \$400 billion a year, with benefits flowing disproportionately to poorer countries. They nonetheless proved contentious. Some countries raised concerns about their ability to pay for the required improvements to their customs procedures, and talks briefly stalled as arrangements for assistance were worked out.

Not all disputes were resolved so smoothly. As ever, agriculture was the sordest subject. India spearheaded an effort to allow poor countries to subsidise staple crops in the name of "food security". In the months leading up to the meeting India had already wrung concessions from rich-world economies in this regard, including a four-year "peace clause" that would have granted developing countries temporary immunity at the WTO from challenges to such measures. Not satisfied, it later threatened to derail the talks unless the reprieve was made indefinite.

Several other disputes received a similar papering over. Indeed, although the trade-facilitation agreement should help to boost world trade, the deal is unlikely to convince sceptics that the multilateral process can produce ambitious reforms. The main problem is that those least committed to progress—in this case, India—can hold proceedings hostage until their demands are met.

Relief at having at last reached a deal will therefore turn quickly into hand-wringing over what should follow. Mr Azevêdo emerges from Bali with his stature enhanced. He must now decide what reforms to pursue and how.

Plenty remains on the Doha agenda. The most glaring item is agriculture. Not only is the WTO theoretically in search of a permanent substitute for India's waiver on subsidies; it also pledged long ago to scrap rich countries' farm-export subsidies. Yet ploughing back into such territory risks wasting the momentum of the Bali deal. Mr Azevêdo might instead seek to open discussions on fresher subjects. Investment is one possibility: the WTO could work to rein in subsidies and set rules protecting cross-border investment. Trade in environmental goods and services, which covers everything from air filters to green ►►



The World Trade Organisation

Unaccustomed victory

Global trade talks yield a deal for the first time in almost 20 years

IT WAS perhaps only appropriate that, as the culmination of 12 years' haggling, the negotiations on global trade rules held on the island of Bali in Indonesia on December 3rd-6th ran over time. Early in the morning of December 7th delegates to the World Trade Organisation's powwow rose to applaud the first deal among all its members to expand its scope since the WTO's inception in 1995. But the agreement leaves the future of global trade cloudier than might have been hoped.

The deal was the first success of the "Doha round", an effort initiated in 2001 to bring down tariffs and various other trade barriers, which has come close to collapse several times over the years. When trade officials resuscitated talks last year they opted to keep the agenda as simple and attractive as possible. They dropped intractable topics such as intellectual property and trade in services, to concentrate on humbler ones such as "trade facilitation"—an attempt to cut red tape in customs.

consulting, is another candidate.

Not all subjects need be negotiated among all WTO members, as the Bali deal was. Some can be passed to those countries that are eager to press forward ("plurilateral" talks, in the jargon, as opposed to multilateral ones), as long as other WTO members are free to sign up to any resulting agreement. Negotiations on services and on information technology already fall into this category. In Bali China's trade minister endorsed the use of the plurilateral approach as a way to move liberalisation forward.

That should help the WTO provide a more inclusive alternative to the various regional trade blocks being negotiated around the world. These are often more ambitious in scope, but their smaller memberships carry the threat of a Balkanised global trading system. The most prominent such grouping, the Trans-Pacific Partnership, suffered a setback this week when its putative members abandoned the goal of completing an agreement this year. Big groups or small, sweeping deals or narrow, trade liberalisation is never easy, alas. ■

The Australian dollar

Buoyant

Australia's slowing economy needs its floating exchange rate more than ever

THIRTY years ago this week, Australia took a big economic gamble. On December 12th 1983 Paul Keating, then treasurer (finance minister), decided to float the Australian dollar.

Ordinary Australians have lived with the highs and the lows of this decision ever since. In its first 20 years afloat, the dollar's value closely followed the prices of the commodities Australia exports (see chart). But around 2003 they suddenly diverged. Over the next eight years commodity prices quadrupled; the dollar rose by much less. It no longer "has any day-to-day relationship to commodity prices", according to Ric Deverell of Credit Suisse, a bank.

Financial globalisation has helped wean the dollar off its link to commodities. The Australian and American dollars are now the fourth-most-traded currency pairing in the world, accounting for 7% of the global foreign-exchange market. As a consequence, interest-rate differentials—and a ballooning current-account deficit peaking at 6.2% of GDP in 2007—helped to stop the Australian dollar from soaring. This was a good thing: if it had increased as much as commodity prices, much of Australia's industry would have been destroyed.

Since commodity prices started dropping in mid-2011, the dollar has

Oil prices

Spreading disarray

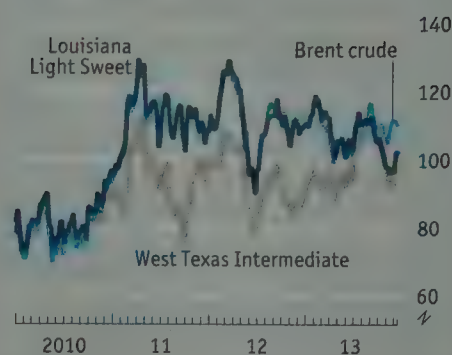
Why the price of crude in America is out of whack with the rest of the world

IT IS a common misconception that one barrel of oil is much like another. Crude varies by viscosity from watery to almost solid, by colour from fawn to deepest black and by sulphurousness from negligible to devilish. Around 100 benchmark grades are traded around the world, though a couple garner the most attention. Patriotic Americans focus on West Texas Intermediate (WTI). Most of the rest of the world uses Brent from the North Sea as a reference. When the two, differing slightly in quality, cost the same the distinction made little difference. In recent years the extraordinary flow of oil from American shale beds has led to a parting of the spigots.

A barrel of Brent currently changes

Partners in grime

Oil prices, \$ per barrel



Source: Thomson Reuters

hands for \$109; WTI fetches just \$98. The spread first opened in 2011 as new supplies of shale oil from North Dakota and Texas supplemented the barrels already arriving at Cushing, Oklahoma. This small town, set amid a vast expanse of storage tanks, is a pipeline hub where contracts for WTI are settled. But it turned out that there were more pipelines leading to it than away from it.

As shale-oil boomed, more crude got stuck in Cushing's ever-expanding field of storage tanks, and the WTI price sank. But the price of oil entering the big refineries on the Gulf Coast, just 500 miles (800 kilometres) away, stayed tethered to Brent. To take advantage of the discrepancy in prices—which at its peak hit \$29—barges, trains and even trucks were pressed into service to supplement the bursting pipelines leading from Cushing to the coast.

The construction of new pipelines and a reversal of the flow in others has gradually undone the bottleneck in Cushing. The Seaway pipeline, for instance, once took oil from Freeport, Texas, to Oklahoma; since January it plies the opposite route and will soon double in capacity to 850,000 barrels a day (b/d). In July the spread between WTI and Louisiana Light Sweet (LLS), the benchmark feedstock for Gulf refiners, almost disappeared. But the clearing of the bottleneck in Cushing has released a surge of light crude to the Gulf Coast, creating a new blockage, according to Michele Della Vigna, of Goldman Sachs, a bank.

Gulf refineries are using as much light and sweet American crude as they can, but most are designed to process heavier, more sulphurous grades from the Middle East and Africa. Indeed, America still imports 7.9m b/d.

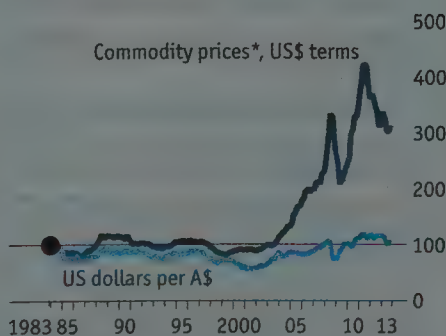
Refineries in California or on the East Coast could take more home-drilled oil but infrastructure to get it to them is lacking and the Jones act, which bans foreign vessels from domestic trade, means that ships are in short supply. Light sweet crude can be mixed with gunkier oil from Canada's oil sands to make a more suitable brew for Gulf refineries, but that takes time and requires regulatory approval. Selling the ex- ▶▶

proved resilient. The prices of Australia's commodity exports have fallen by 27% on average since then, but the dollar has lost only about 10% of its value, in part because Australian interest rates are now higher than those in many other rich countries. The dollar's slight fall may not boost other sectors enough to overcome slumping mining investment: GDP growth has fallen by half since last year. The central bank says a lower exchange rate is "needed" to avoid recession.

A banker once said, "Currencies do not float, they sink at different rates." Australians must be hoping theirs will submerge faster than most.

Floating away

December 1983=100



Sources: Reserve Bank of Australia; Thomson Reuters

*Weighted by Australia's exports

cess oil abroad would uncork the blockage but American law prohibits most exports of crude. Gulf refiners are turning it into petrol, diesel and other products, which can be exported, as fast as they can. But, says Amrita Sen of Energy Aspects, a consultancy, they are running at full capacity.

As oil begins to pool in the Gulf, a gap has opened between the prices of LLS and Brent (see chart on previous page), even as LLS and WTI have moved into alignment. The discrepancy in prices between the middle of America and the East and West coasts will persist until someone works out a way to move the stuff around in greater quantities. But even if that happens, in a couple of years the whole country will have more light, sweet crude than it needs. If the oil continues to back up, prices will fall further compared with global markets, threatening production from high-cost shale beds and perhaps even smothering America's resuscitation as an oil power. ■

Corporate entertaining in Japan

Kanpai!

TOKYO

Wining, dining and gift-giving are to become tax-deductible for big firms

ALREADY, confides a kimono-clad hostess at Maiko, one of the pricier nightclubs in Ginza, Tokyo's entertainment district, the efforts to revive Japan's economy by Shinzo Abe, the country's prime minister, are having a positive effect. The atmosphere at Maiko is indeed buoyant, as a billionaire entrepreneur and other moguls make a late-night entrance into the establishment's convivial salon. Things could

soon get even better. The government's latest ploy to revitalise the economy is to make corporate entertainment by large companies partially tax-deductible.

For the moment only small and medium-sized firms may deduct a limited amount of money spent entertaining clients as a business expense. During the boom years of the 1980s that hardly held back larger companies, defined as those with capital of over ¥100m (\$1m). Back then, spending on *settai*, as formal entertaining is known in Japan, at one point rose to an annual ¥6 trillion and for several years comfortably exceeded Japan's outlay on defence. Since the peak in 1992, entertainment spending has halved. Many Ginza clubs, which can charge ¥50,000 or more just for admission, went bust. Times got tighter still after the 2007-08 financial crisis and recession.

Nothing formal has been announced yet, but Taro Aso, the finance minister, has floated the idea. Takashi Inoue of Keidanren, Japan's main business lobby, expects that big firms will be permitted to deduct half of their entertaining outlays from the start of the next tax year, in April, with no upper limit. That will save them a lot of tax: about ¥200 billion, he estimates.

The tax break would help to offset the dampening effect of an increase in Japan's consumption tax, which is due to rise from 5% to 8% in the spring. Better yet, it would encourage firms that have been reluctant to invest or to raise wages to inject more cash into the domestic economy. In fact, since Japan's generous expense accounts are commonly regarded as a part of executive pay, the change would be the equivalent of a rise for Japan's salarymen. Mr Aso, himself a frequenter of fancy bars, argued in a speech earlier this year that the best way to get Japan Inc to spend some of its cash pile was "pleasantly" on entertaining and seasonal gifts.

As the whisky flowed in earlier decades, a series of scandals involving the bribing of bureaucrats gave *settai* a bad name. A few firms banned the practice. Police recently arrested a salesman from Deutsche Securities, a broker, for spending over ¥900,000 on food, drink, golf and overseas travel for a pension-fund executive at Mitsui, a trading house, who gave him some ¥1 billion of business. At least the economy benefited. ■

Voting rights at the ECB

New club rules

Germans will soon have another reason to fume about the euro

WHEN Latvia becomes the 18th country to adopt the euro, at the start of 2014, European leaders will celebrate the occasion as an endorsement of the battered single currency, even though the Baltic state has a population of just 2m. But the renewed expansion may prove destabilising. Latvia will be the last country to join under the current system of voting rights at the European Central Bank (ECB), which is becoming ever more unwieldy and unrepresentative. The planned changes are also controversial.

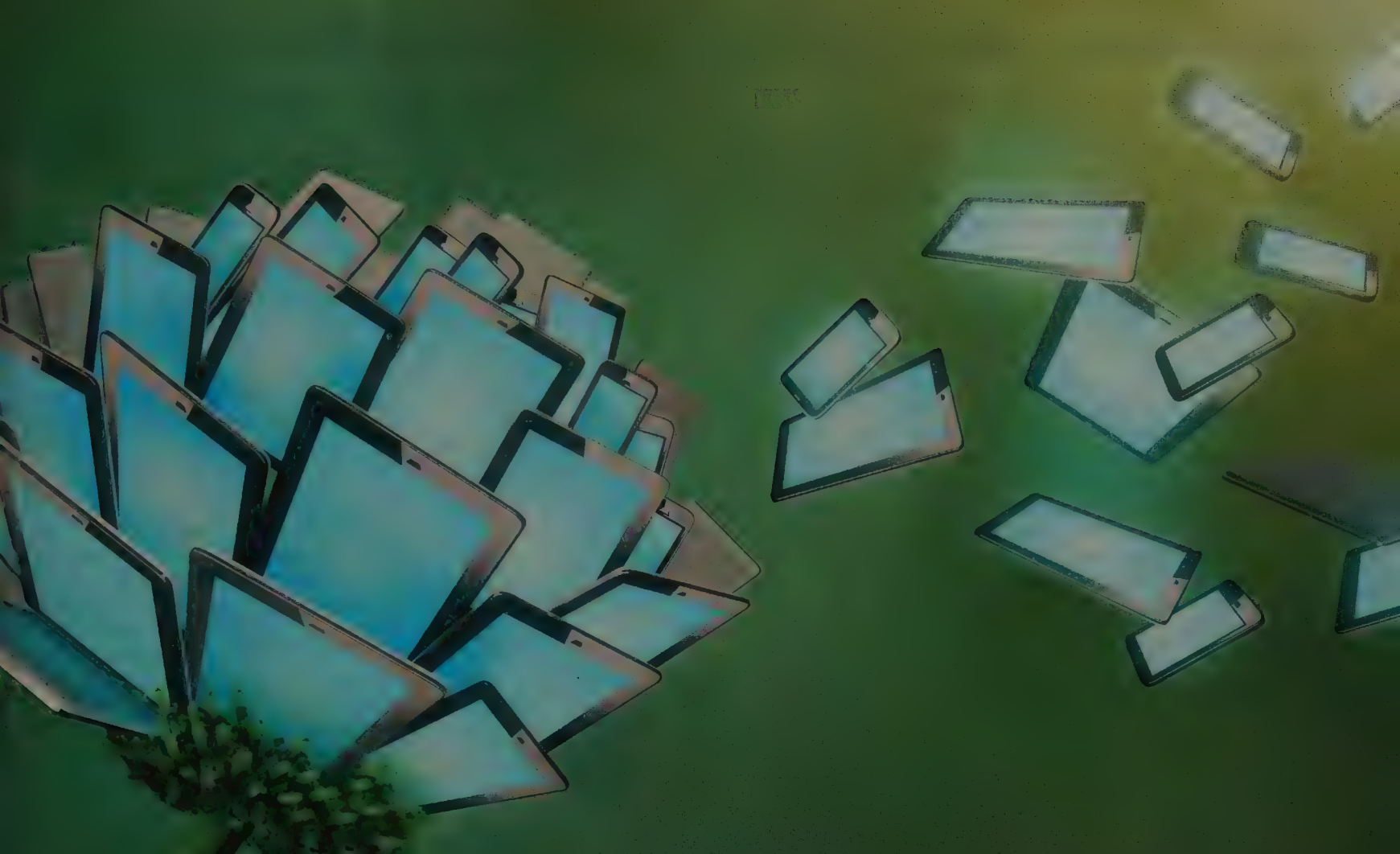
The ECB's governing council consists of the heads of the euro countries' central banks plus a six-strong executive board, which includes Mario Draghi, the bank's president. With Latvia in, the council will thus be 24 strong. Each of its members has one vote on monetary policy and, from November 2014, on banking supervision (though decisions on that will generally be made by a new supervisory body). Ilmars Rimsevis, the Latvian governor, will accordingly have as much say as Jens Weidmann, head of the Bundesbank, even though Germany's economy is over 100 times bigger than Latvia's.

If, as expected, Lithuania joins the euro in 2015, the voting structure will shift slightly in bigger countries' favour. The number on the council who can vote at any one time will shrink to 21. The six executive-board members, who are appointed by a vote among euro-zone heads of government, will keep their say. But the heads of central banks will be divided into two groups. The first will consist of the five countries with the biggest economies and financial sectors: Germany, France, Italy, Spain and the Netherlands. Their governors will share four votes, meaning that each will vote 80% of the time. The remaining 14 will get 11 voting rights, meaning that each will vote marginally less often.

If the euro zone expands still further, ►►



The government may give them something to sing about



accenture digital

| interactive mobility analytics social

Our approach to digital can grow your business in entirely new ways.

Today, technology can transform every aspect of your company and every business must be a digital business. Our industry expertise — combined with our integrated digital capabilities — can help you innovate and compete to win. We can manage your digital processes for you and we can also take them to the cloud. It's all about delivering tangible results from the virtual world. That's high performance, delivered.

High performance. Delivered.

>
accenture

► the five big states will keep their four votes but the 11 remaining ones will be shared among ever more countries. If the euro area ever reaches 22 members, the second group will be split, with 11 middling countries sharing eight votes whereas the smallest six will have only three.

The national origin of council members is supposed not to matter, since they attend meetings in an independent and personal capacity. In practice it does and during the euro crisis a north-south divide has opened up on the council, reflecting the differing interests of creditor and debtor nations. Although the new system will gradually increase the bigger states' clout, it is still likely to stoke disquiet in the largest

of them all, Germany, which contributes nearly 30% of euro-zone GDP.

Since bigger countries have more say in the appointment of the six executive-board members, there is always likely to be a German on the board. But many Germans will balk at the fact that Mr Weidmann will be unable to vote every fifth month, even though like the other non-voting governors he will still take part in the council's discussions. It will be scant consolation that his counterparts from smaller countries will vote a little less frequently. If the euro zone does expand further, it is likely to rekindle calls in Germany for its economic and fiscal weight to be recognised in the currency's governance. ■

Private banking in Switzerland

Disclosure

NEW YORK

Wealth managers are paying for clients' sins, even if they were unaware of them

AMERICANS never made up a large portion of Swiss private banks' international client base, but the price to be paid for allowing some of them to evade tax is proving to be steep—and could be ruinous for some smaller wealth managers. By December 9th most of Switzerland's 300 or so banks were required to tell their regulator whether they would participate in a voluntary-disclosure programme crafted by the Department of Justice, under which those that have handled untaxed accounts for American clients can wipe the slate clean in exchange for fines. Swiss authorities have urged banks to sign up to avoid the fate of Wegelin, a venerable private bank that closed after being indicted in New York for aiding tax dodgers.

Banks have four choices. They can declare themselves "category two" institutions (those with foreign clients who broke American tax laws), "category three" (those whose foreign clients were clean), "category four" (mostly domestic) or they can choose not to take part. "Category one" comprises 14 large banks, including Credit Suisse and Julius Bär, which cannot participate because they were already under investigation when the programme was set up. They will have to negotiate individual settlements with the American authorities. The only large bank that has already done so is UBS, which paid \$780m and handed over information on more than 4,700 American accounts.

Category-two banks will have to pay penalties of up to 50% of untaxed balances and provide some account data. Banks that claim to be in categories three or four, or refuse to participate at all, will be taking a big

risk unless they are certain they have no tainted accounts. If they are later found to have had any, the firm and its executives could face criminal charges. They will know this is no idle threat, and not just because of Wegelin. America has gone after more than 30 Swiss bankers and lawyers, including Raoul Weil, UBS's former head of wealth management, who is due to be extradited to America after being nabbed at an Italian hotel in October.

The banks have hordes of advisers poring over their books. Some are understood to have asked for an extension of the deadline as they struggle to assess the risks. For those that have not actively sought out tax evaders in the past, being sure that they have no troublesome accounts can be "immensely tricky", says Michel Dérobert of the Swiss Private Bankers' Association.

Some may have American clients without knowing it. A Brazilian who was born in America may not have informed his

wealth manager that he is formally a dual citizen; if his account holds \$50m, the bank could face a \$25m penalty. It might even be liable for a client who held a green card at some point in the past ten years but did not tell the bank. The programme does not distinguish between banks that willingly catered to tax dodgers and those that inadvertently served them. As a result, banks that believe they are clean but cannot be certain may join category two to be on the safe side.

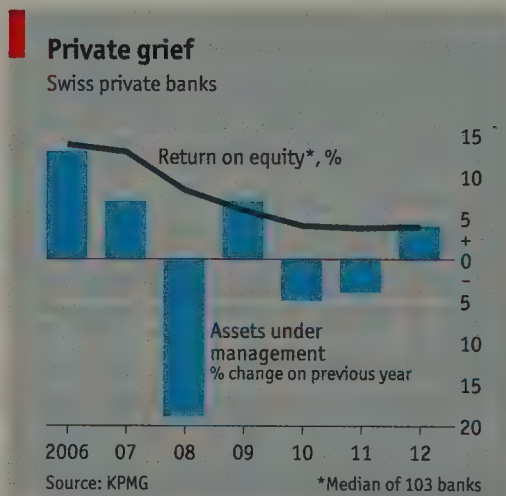
Fears are growing that total penalties will be much higher than first thought, and that some private banks lack strong enough balance-sheets to cope with the combined fines and legal and administrative costs. Bankers complain that the Swiss government appears not to have properly calculated the potential pain—though, to be fair, it had little leverage in negotiations. Some cantonal banks have looked at the possibility of trying to assert sovereign immunity as state-owned enterprises. But this defence almost certainly would not work for commercial activities.

Ironically, participating banks could end up paying far more, relative to their size, than more egregious offenders. UBS, which encouraged clients to hide behind opaque corporate structures and even smuggled diamonds for them, had \$20 billion in untaxed American money, a whistle-blower claimed in court. If so, UBS's fine amounted to less than 4% of those assets, a fraction of what dozens of smaller banks must now cough up (20%, 30% or 50% of untaxed balances, depending on when the accounts were opened).

Wegelin, which took on tax-dodging clients that UBS pushed out when it came under investigation, ended up paying \$74m, less than a fifth of what it would have had to hand over under the new scheme, based on assets listed in court papers. Although the indictment led to its closure, it sold the bulk of its assets to another Swiss bank beforehand.

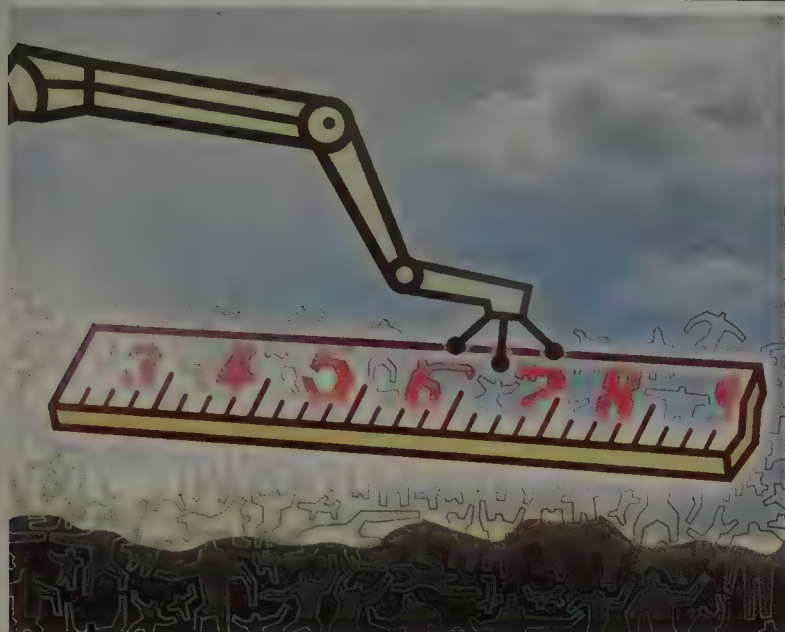
The fines come at a difficult time. Private banks' return on capital has tumbled as a result of the tax assault, accounting changes and competitive pressures from Singapore and other wealth centres (see chart). Though the stock of offshore money managed in Switzerland has remained stable, at more than \$2 trillion, average profit margins have fallen by a third since the golden days of 2007, says Daniel Kessler of Boston Consulting Group. Nearly a quarter of all Swiss wealth managers—mostly smaller outfits—are loss-making, according to KPMG. It expects their number to fall by 25-30% in the next three years as weaker firms are taken over or liquidated.

The pace of mergers is likely to accelerate as the legal fog lifts. The disclosure programme may be harsh and inequitable, but for healthier, acquisitive outfits it may have a silver lining. ■



Free exchange | Random harvest

Once treated with scorn, randomised control trials are coming of age



IT ALL began with a white envelope. Inside, a letter from the provost of the Massachusetts Institute of Technology offered three young economists at MIT \$100,000 to spend as they wanted (those were the days). Two of them, Esther Duflo and Abhijit Banerjee, used the money to set up an organisation to run “randomised control trials” (RCTs), an experimental technique a bit like drugs trials, but for economics. To test if, say, boosting teachers’ pay improved educational outcomes, an RCT would take a collection of comparable schools, randomly assign higher wages to some teachers but not others, and see what happens. The organisation, called J-PAL (to give it its full title, the Abdul Latif Jameel Poverty Action Lab), has just celebrated its tenth anniversary. Its methods have transformed development economics.

When J-PAL started in 2003, RCTs were regarded as wacky. Critics said that doing a trial was like putting people in a cage and experimenting on them. They pointed out that you cannot conduct randomised trials for big macroeconomic questions (“What happens if we devalue the currency by 50%?”) because there can be no control group. They conceded RCTs might generate useful nuggets of evidence (raising teachers’ wages in India, for example, did surprisingly little to improve learning). But they argued that evidence from such trials would always remain small-scale, tied to a specific context and not be useful beyond it.

Ten years on, few of those criticisms have stood up to scrutiny. RCTs have entered the mainstream. J-PAL has conducted 440 of them (it started with five). The World Bank runs RCTs. So do regional bodies like the Inter-American Development Bank. Even governments deploy them: Indonesia used one to test whether identity cards would improve the delivery of subsidised rice to the poor, the largest anti-poverty programme in the country (they did). Techniques for designing and doing trials have improved, with more accurate measurements and more reliable ways of ensuring that samples are random and not merely arbitrary. Trials are bigger. A recent one took place throughout the Indian state of Andhra Pradesh, which has a larger population than Germany. Trials are now investigating questions previously thought off-limits to RCTs, such as labour-market policies or policing. J-PAL did a trial in half the cities in France to determine whether job-training encouraged employment growth overall or just boosted

the prospects of trainees at the expense of the untrained. (Answer: before 2007, it helped everyone; afterwards, it redistributed jobs rather than creating them.)

As the number and scope of trials have grown, the accumulation of detail has started to generate broader insights. Take education. J-PAL ran trials on many questions, from the effect of remedial classes in India and Ghana (enormous) to what happens if you double the number of teachers in Kenya (not much). One conclusion kept cropping up: the biggest improvements to educational outcomes occur when you teach children things they are capable of learning. That sounds like a statement of the obvious. But it is quite different from the view of (say) the OECD, a club mainly of rich countries, which runs influential studies on mathematics and literacy among its members. The OECD thinks the quality of teachers matters most. J-PAL’s finding also goes against the grain of what many parents believe: that the focus should be on the quality of the curriculum.

In other areas, RCTs have revealed as much about what is not known as what is known. Microfinance, for example, does not turn the poor into entrepreneurs, as was hoped, but does make them better off: many use the tiny loans to buy television sets. It is not clear why. Poor people also buy too little preventive health care for themselves, even though the benefits are huge. RCTs show that if you charge a pittance for simple products such as bednets treated to combat malaria or water purification tablets, people do not buy them; the products have to be free.

Development economics on trial

The common conclusion from such trials is that the poor’s own decisions matter much more than was once thought. Even the poorest of the poor have tiny amounts of discretionary cash and their decisions about what to spend it on (bednets, for example) make a huge difference to development. This view of the poor is at odds with the one espoused by “Big Push” economists, such as Jeffrey Sachs of Columbia University, who argue that people are stuck in poverty, can do little for themselves and that development should therefore consist of providing the poor with benefits—like irrigation, roads and hospitals—that spring the poverty trap. But it is also at odds with critics of Big Push thinking. J-PAL’s trials show not only that the poor’s decisions are important but that they are sometimes bad (for example, their underinvestment in health). Critics of the Big Push, such as William Easterly of New York University, say the best way to help the poor is to stand back and stop messing up their lives. In contrast, J-PAL’s trials imply that there is a role for outsiders to improve the decision-making of the poor by, say, improving information or incentives.

Over the past ten years, randomised trials have changed hugely. They began as ways to provide hard evidence about what was actually happening. Now they have become techniques for testing ideas that cannot be investigated in any other way. (Are teachers or trained volunteers better at providing simple remedial lessons? Do a trial.) Over the next ten years they will change again. They are likely to get more ambitious still, use “big data”, engage even more with governments and probably measure things that cannot now be tested (RCTs are already measuring cortisol levels as a way of judging how policies affect people’s happiness). Who knows, their proponents might even find a way to apply them to the sweeping assertions of macroeconomists. ■

New year, same informed opinion.
Find out what *The Economist* predicts for 2014.



On sale now from newsstands and
as *The World in 2014* app.

Available to download on iPad, iPhone
or Android tablet and smartphone

Available on the
App Store

GET IT ON
Google play



Epigenetics

Poisoned inheritance

A lack of folate in the diet of male mice reprograms their sperm in ways that damage their offspring. Could the same be true in men?

DOCTORS recommend that women who are pregnant, or plan to be, eat plenty of green, leafy vegetables. These are a source of vitamin B9—or folate, as it is also known—a substance that helps embryos develop by encouraging the formation of the neural tube, the precursor to the brain and the spinal cord. Folate has never been recommended to putative fathers, though, for the obvious reason that, sperm apart, a father contributes nothing to the physical substance of an embryo.

If the results of research on mice, by Sarah Kimmins and her colleagues at McGill University, in Montreal, are found to apply to people too, that may need to change. For, as they report in *Nature Communications*, they have discovered something odd: that folate deficiency in fathers can, in rodents at least, be as debilitating for embryos as deficiency in mothers. An absence of folate when sperm are forming causes alterations in them that affect the mice which grow from the eggs those sperm fertilise. In particular, Dr Kimmins saw serious deformities of head, spine and limbs.

This damage seems to be caused by epigenetic modification, the subject of a rapidly emerging field of research. Such modification involves a process called methylation, which alters the behaviour of genes in a way that can be passed from one generation to another. Folate's job is to regulate methylation. How epigenetic modification might cause the defects Dr Kimmins saw, she does not yet know. But

when she and her team looked at changes in the methylation patterns of genes in the sperm of folate-deficient rats they found things there that might cause other phenomena, which are not apparent at birth. These include cancer, diabetes, and even autism and schizophrenia.

Marked for death

Dr Kimmins and her team raised male mice that had had a low exposure to folate for the whole of their lives, from conception onwards. In other words, not only they, but also their mothers were fed this diet. Once born, these males were otherwise treated normally, and when mature were introduced to females and allowed to mate. The researchers then followed what happened.

Their first observation was that the folate-deficient males were less fertile than otherwise-comparable control animals. Only 52% of the females they were mated with became pregnant, compared with 85% of those mated with controls. And even among those females that did become pregnant, twice as many pregnancies ended with the fetuses being reabsorbed by the mothers if the father was folate deficient.

Then, when the pups were born, those fathered by the deficient males were much more likely to be deformed. Some 27% of such litters included pups with visible abnormalities, compared with 3% of litters fathered by controls. These abnormalities in-

cluded hydrocephalus ("water on the brain"), deformed spines and limbs with missing toes.

When they compared the DNA of sperm from folate-deficient males with that from the sperm of males which had had a normal diet, the researchers found 57 places whose methylation patterns differed. These included the sites of 18 genes known in humans to be involved in cancer, six that are involved in various forms of diabetes and seven that have been implicated in autism or schizophrenia.

Whether these abnormal methylation patterns are actually carried into the body cells of animals sired by such sperm, the researchers have not yet found out. Nor is it clear what the effects would be if they were, or whether such effects would be found in people as well as mice.

The researchers note, however, that the causes of more than 40% of birth defects in children in the rich world remain unknown. They also note that the number of people with diabetes in America alone has risen from 6m in 1985 to more than 20m now. Many cancer rates are rising too, and research is throwing up examples of tumours caused by epigenetic modifications of unknown origin. All this suggests it is worth investigating the idea that epigenetically modified sperm may be a previously unrecognised source of disease.

The other point worth noting is that, although some epigenetic modification takes place when sperm cells form (shortly before they are ejaculated), much of it happens early in embryonic development, when the progenitors of those cells come into being. At this point it is the diet of the mother carrying the embryo which matters. How much good it will really do men to change what they eat to improve their sperm is thus moot. It may be that the damage is actually caused before they have any say in the matter. ■

Also in this section

86 A dried-up lake on Mars

86 A Nobel laureate attacks the journals

87 What sharks know about people

87 The origin of Mima mounds

For daily analysis and debate on science and technology, visit

Economist.com/science

The history of life

A warm little pond?

On Mars, that is

IN 1871, in a letter to his friend Joseph Hooker, Charles Darwin speculated about how life might have got started.

But if (and Oh! What a big if!) we could conceive in some warm little pond, with all sorts of ammonia and phosphoric salts, light, heat, electricity etc, present, that a protein compound was chemically formed ready to undergo still more complex changes...

Although no one is sure, that “warm little pond” is just how many modern biologists imagine life on Earth really did get going. And perhaps the same is true of life in other places, too. On December 9th, writing in *Science*, a team led by John Grotzinger of the California Institute of Technology announced that they had found evidence such a lake existed, billions of years ago, on the surface of Mars.

Dr Grotzinger is the chief scientist for NASA's Mars Science Laboratory mission, whose rover, *Curiosity*, landed on the planet last year. Thanks to the work of previous rovers and orbiting probes, researchers already know that ancient Mars had many of the ingredients thought necessary for life.

Soon after it formed about 4.5 billion years ago, liquid water seems to have flowed over the surface of the planet. Its climate may also have been warmer than it is today, courtesy of an atmosphere much thicker than its wispy modern counterpart. But what *Curiosity* has done is to suggest that all the ingredients were pre-

sent in one specific place, and for a reasonably long stretch of time.

That place is what appears to be part of a dried-up lake bed (pictured below) just south of the Martian equator. The researchers call it “Yellowknife Bay”, in honour of a Canadian town from which many geological expeditions have been launched over the years. Analysis by *Curiosity* revealed the presence of mudstone, a type of rock formed by fine grains of sediment settling out of a column of calm, still water. The surrounding geology supports that hypothesis, with evidence of ancient river channels that lead into a lake which would have been about 50km (30 miles) long and 5km wide.

Chemical analysis of Yellowknife Bay's rocks bolsters the researchers' case. The six elements held by biologists to be fundamental to Earthlike life—carbon, hydrogen, oxygen, sulphur, nitrogen and phosphorous—are all present. Better still, the rocks suggest the ancient lake was neither too acidic, nor too alkaline, nor too salty.

And it may have persisted for quite some time. By measuring the thickness of the strata, and making some educated estimates about how quickly they might have formed, Dr Grotzinger and his colleagues reckon the lake could have endured for anything from centuries to millennia. Add in a little plausible speculation—specifically, that there may be more sedimentary rocks buried beyond *Curiosity*'s reach, or that other rocks may have eroded over the course of time—and the lake's possible lifespan rises to tens of millions of years. The surface may not have been wet for all of that period, notes Dr Grotzinger, but groundwater could have persisted even when the surface was temporarily dry.

The sort of environment described in the paper is the kind that plenty of Earthly organisms would thrive in. If any Martians did live there, they probably bore a passing

resemblance to Earth-bound critters called chemolithoautotrophs: hardy, single-celled organisms that make use of chemical energy rather than sunlight and which are able to create complicated biological molecules from elemental ingredients.

Evidence of habitability is not, of course, the same as evidence of habitation. Short of stumbling across the Martian equivalent of stromatolites—distinctive bacteria-built mounds that provide the earliest evidence for life on Earth—*Curiosity* is almost certainly incapable of telling whether life ever did actually arise on Mars. But it seems more and more likely that it could have. ■

Scientific publication

What's wrong with Science

And Nature. And Cell. A Nobel prize-winner attacks elite journals

BLUNT criticism is an essential part of science, for it is how bad ideas are winnowed from good ones. So when Randy Schekman, one of the 2013 crop of Nobel prize-winners (for physiology or medicine, in his case), decided to criticise the way scientific journals are run, he did not hold back.

Dr Schekman chose the week of the prizegiving (the medals and cheques were handed over on December 10th) to announce that the laboratory he runs at the University of California, Berkeley, will boycott what he describes as “luxury journals”. By that he meant those commonly regarded as the most prestigious, such as *Cell*, *Nature* and *Science*.

He levels two charges against such journals. The first is that, aware of their pre-eminence and keen to protect it, they artificially restrict the number of papers they accept—acting, as he put it in an interview with the *Guardian*, a British newspaper, like “fashion designers who create limited-edition handbags or suits...know[ing] scarcity stokes demand”. Their behaviour, he says, is more conducive to the selling of subscriptions than the publishing of the best research.

Second, he argues that science as a whole is being distorted by perverse incentives, especially the tyranny of the “impact factor”, a number that purports to measure how important a given journal is. Researchers who publish in journals with a high impact factor—like the three named above—can expect promotion, pay rises and professional accolades. Those that do not can expect obscurity or even the sack, a Darwinian system known among academics as “publish or perish”. ▶▶



Not warm. Not little. Not a pond. But will it do?

Dr Schekman may not be the most disinterested commentator. Besides his job at Berkeley, he also edits *eLife*, an open-access journal (in other words, one that does not charge its readers) with ambitions to compete with the top dogs, and which is bankrolled by a trio of wealthy science charities. But working scientists will tell you, perhaps after a few drinks, that he is far from alone in his views. Scarcity of space is meaningless in a world in which more and more research is distributed online. And many worry that the pressure to publish flashy research in glitzy journals encourages hype and faddishness, and rewards being first over being thorough. Jobbing scientists can be reluctant to speak up, fearful of the damage they might do to their careers by rocking the boat. But one of the many perks of being a Nobel laureate is that you no longer have to worry about such things. ■

Sharks and humans

He's behind you!

Some sharks know how to stay out of sight of nearby people

HUMAN beings like to believe they are at the top of the food chain. When something else eats one it is not only upsetting to the victim's friends and relatives, it also seems slightly improper—a reversal of the natural order of things. Such attacks are thus often portrayed as aberrations from predators' normal behaviour. In the case of sharks, for example, the fish are assumed to have mistaken human swimmers for seals or turtles. But Erich Ritter, of the Shark Research Institute, an American charitable foundation, begs to differ. He thinks sharks know exactly what they are doing when they attack people, and he believes he has the data to prove it.

Anecdotal evidence suggests sharks generally take swimmers from behind. This would make sense from the shark's point of view, since its approach would not be detected. But it does depend on its knowing what "behind" means when applied to such an oddly shaped creature as a human. And if that is the case it implies there is no mistake in the animal's mind about what its target is.

To test this idea Dr Ritter did an experiment, the results of which have just been published in *Animal Cognition*. He asked some scuba divers to kneel, for a total of an hour a day each, on the seabed at a site in the Bahamas frequented by reef sharks. Since the divers were stationary, their direction of travel could not give away which part of them was the front, and since they

Geomorphology

Gopher broke

SAN FRANCISCO

A weird form of landscape seems to be the result of the excavations of rodents

MIMA mounds, so named after the Mima prairie in Washington state, are strange hillocks a metre or two high and up to 50 metres across that can be seen spread over the landscape in parts of every continent bar Antarctica. How they form is mysterious. Anthropologists have suggested they might be tumuli marking ancient burials. Some geomorphologists have proposed that earthquakes raise them; others that glaciers create them when they melt. But, as he told a meeting of the American Geophysical Union in San Francisco this week, Emmanuel Gabet of San Jose State University thinks he has cracked the problem. He believes the builders, at least in America, are pocket gophers.

This idea is not new, for Mima mounds often host pocket gophers. But the animals have never been seen to build a mound in the way that beavers, say, build dams to control rivers. Instead, they just burrow through them to get at the roots they eat.

Dr Gabet based his analysis on an earlier observation: that metal pellets scattered inside gopher tunnels in places where Mima mounds abound tend to move gradually uphill. It seems from this that gophers shove the spoil their digging creates in an uphill direction slightly more often than in a downhill one, though why they do so is unclear.

To find out if that behaviour might be enough to create mounds, Dr Gabet built a computer model which started with a landscape that varied in height just a little, and randomly. Then he let this model run for the equivalent of several hundred years of burrowing. The result was remarkable—a virtual Mima field whose hillocks had the sizes and pattern of distribution of the real thing.

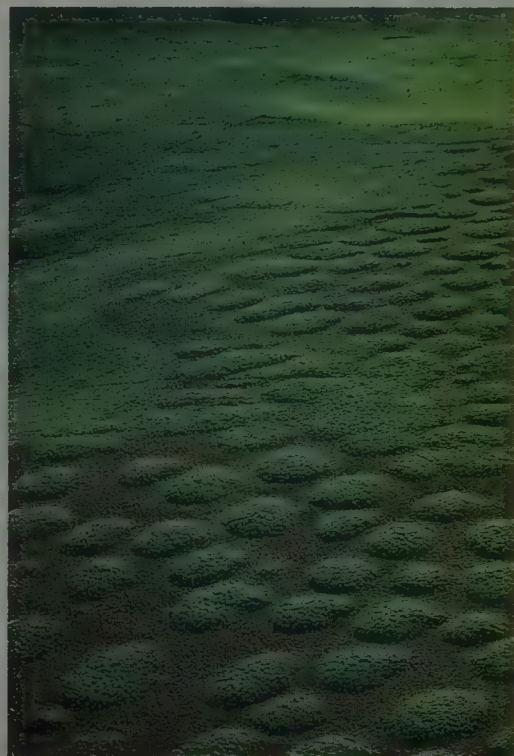
were kneeling their body shapes were about as un-seal-like or un-turtle-like as it is possible for a person to be.

Some divers knelt alone. Others, acting as controls, knelt back to back, in pairs. A camera at the surface, 12 metres above them, then recorded what happened.

Altogether, when they looked at the footage, Dr Ritter and his statistician colleague Raid Amin, of the University of West Florida, were able to analyse 312 encounters between sharks and divers. When a single diver was present (211 of the encounters), any approaching shark passed behind him four-fifths of the time, and in front only one-fifth. When there

This would explain Mima fields just in North America, of course, since that is the only continent where pocket gophers live. But Dr Gabet suspects other burrowing animals have the same effect, and suggests dissecting Mima mounds in different places, to see what is living in them. Moreover, the absence of mounds in Antarctica, a continent devoid of burrowing mammals, is consistent with his hypothesis.

Even with this biological explanation, however, Mima mounds still have a geological feel to them. Gophers live for merely a few years, but a mound can take half a millennium to form. Your average continental plate, Dr Gabet observes, moves faster than that.



The hills are alive...

were two divers (the remaining 101), the sharks had no preference about what they did. They did not, of course, have the choice of going behind both divers' backs. But there was nothing, either in the area or in the divers' subliminal behaviour, that caused them to go one way round the pair rather than the other.

Reef sharks rarely attack divers, and this experiment is not proof-positive that those species which do would behave in the same way. But it does show that some sharks, at least, know perfectly well which part of a human being is the front and which, if they wish to remain undetected, is the back. ■

A history of Israel

Song to Zion

What does it mean to be Israeli? A man journeys through his country's brief history

THE lone voice of the cantor is often more haunting than the chorus. So it is with Ari Shavit in this spellbinding book. Rather than set out Israel's story in a densely scored chronicle, he presents it in solos. The resulting song cycle in 17 episodic chapters leaps through time and space, from the arrival in Palestine in 1897 of Mr Shavit's great-grandfather, a Victorian gentleman from London, to the hedonistic bustle of Tel Aviv's waterfront today.

Mr Shavit subtly builds his stories with a mix of individual portraits, historical detail and personal memoir. He tells of Jascha Heifetz playing his violin in 1926 to some early kibbutzniks in Ein Harod. He describes the citrus growers in the 1930s

My Promised Land: The Triumph and Tragedy of Israel. By Ari Shavit. *Spiegel & Grau*; 445 pages; \$28. *Scribe*; £20

whose sweet Jaffa oranges found their way to Buckingham Palace. He writes about the tough Jewish pioneers who took up arms to protect themselves and later drove out their Arab neighbours; and the Zionists who assembled Israel's nuclear arsenal in the Negev desert. He recalls the guile and bravado that went into building an early settlement in a deserted Jordanian military base.

The music of this book is laced with mournful notes. There are stories of dam-

aged Jews who fled a pitiless Europe yet never emerged from the shadow of the Holocaust. Then there are the Sephardic Jews who came from north Africa and the Middle East only to learn that they were second-class citizens next to the Ashkenazi Europeans, who came first. And there are the put-upon Israeli Arabs who discern ruins and loss where their Jewish compatriots see only a desert that blooms.

As Israel hurtles onwards through the 21st century, Mr Shavit finds Jews burning up their weekends partying in an old Tel Aviv cinema. For all their vibrancy, today's young Israelis have forgotten the common purpose of the pioneers, he writes. So, too, have the entrepreneurs who have made fortunes building businesses out of ice-cream and electronics. Israel, he writes, has become "disorientated".

Mr Shavit is that rare person who can listen as intensely as he can think. Although he is a columnist for the left-leaning Israeli daily *Haaretz*, he transcends tribal politics. Sympathetic but unflinching, he finds things to chastise—and admire—on every side. In a place with too much history and too much certainty, a "lonely rock in a stormy ocean", he manages to reach conclusions without lapsing into narrow judgments, and finds truth without asserting that it is the only truth.

Inevitably, perhaps, his vision clouds slightly as he draws near to the present day. Mr Shavit writes too little of the Hasidim and too much of Iran. Partial to nothing more than the odd whisky, his account of young Israelis' uninhibited appetite for drugs and sex comes from the wrong side of the generation gap. But these flaws are small. In this divided, fought-over shard of land splintered from the Middle East barely 70 years ago, Mr Shavit's prophetic voice carries lessons that all sides need to hear.

From those for whom it has become a dirty word, he reclaims the nobility of Zionism. He recalls the "salvation project" on which the country was precariously built. Without a homeland, Jews faced a dual peril: not just pogroms and gas-chambers, but slow, subtle assimilation, as they married out and blended in. But in Palestine the Zionists cultivated a land, built a state, massed an army, conquered the atom and withstood the Arabs. The pale, weak Jew of the ghetto and shtetl became the bronzed, healthy Jew of the kibbutz and the all-conquering Israel Defence Forces. ►►

Also in this section

89 Pre-Christian Britain

89 The drama of business takeovers

90 Selling fine art

90 René Redzepi's approach to food

91 The life of Michelangelo



For those who would forget, Mr Shavit laments the Zionists' original sin. As if he were chanting a prayer, he intones the names of the Palestinian villages that his great-grandfather passed on the journey from Jaffa to Mikveh Yisrael and which were later emptied or suppressed: Abu Kabir, Yazur, Sarafand, Lydda, Gimzu, El-Kubbab, Abu Shusha. The right believes that Israel has only to annexe the West Bank to find security. The left concentrates on the occupation and the settlements "so that we can justify to ourselves the magnificent vineyard that stands" inside Israel proper, "like some proof of wrongdoing". Neither faces up to the still-unresolved tragedy of 1948, of how "we build houses on [Israeli Arabs'] homes and grow six varieties of grapes in their pillaged fields."

And Mr Shavit warns those Israelis who party or squabble of the dangers that lie ahead. There is the Arab threat, certainly, and Islamic fundamentalism and Palestinian nationalism. But also there is the hostility of the deracinated Arab-Israeli minority; the loss of the mental strength that saw the pioneers through those first dangerous years; the corrupting effects of the occupation; and the crumbling of Israeli national identity. "For as long as I can remember, I remember fear," he warns. "Existential fear."

Most of all, though, Mr Shavit speaks to those outside Israel who condemn it as cruel and arrogant. As this book shows, that is a tragic misreading of a nation. ■

Pre-Christian Britain

More questions than answers

Pagan Britain. By Ronald Hutton. Yale University Press; 400 pages; £25. To be published in America in February; \$45

RONALD HUTTON describes his new book as a history of religious belief from the "Old Stone Age to the coming of Christianity". So it is, but also it is more provocative than that. With "Pagan Britain" he has written a thoughtful critique of how historians and archaeologists often interpret ruins and relics to suit changing ideas about religion and nationhood. Intriguingly for a historian, Mr Hutton makes plain just how little evidence there is for belief systems of the distant past.

An authority on the 16th and 17th centuries at Bristol University, Mr Hutton has written widely about the Stuarts, the Druids and witchcraft. Despite his extensive research into Britain's early religious history, this book is fascinating for its caution. He takes nothing for granted, whether he is analysing the Palaeolithic rock carv-



Funny, he doesn't look Druidish

ings at Creswell Crags in Nottinghamshire or tracing the stone circles of Stonehenge in Wiltshire and Callanish in the Outer Hebrides. The gods displaced by the spread of Christianity may have been native, or perhaps Roman. No one can say for sure. The remains of religious rites are "often not easily distinguished from those of political, social and festive ritual," he writes. It is all "a category of great ambiguity, little amenable to definition."

To drive home the vagaries of past faith, he writes about "Lindow Man", a preserved male body found in a peat bog in Cheshire in 1984. Analysis reveals that this man was 25 or so when he died horribly around 2,000 years ago. The archaeologists who have presented this discovery at the British Museum in London (where it can still be seen) have used it as possible evidence of human sacrifice during the Iron Age. But this conclusion, Mr Hutton says, is "insecure". One pathologist thought the man had been strangled; another did not. And little distinguishes the remains of a ritual killing from those of a murder. "Lindow Man", Mr Hutton concludes, "can be used to exemplify the triumphs or failures, the prowess or the limitations, of modern archaeology."

Mr Hutton is most interested in the reasons why archaeologists, historians and religious figures (including present-day pagans) choose to interpret artefacts in a certain way. Gender politics, nationalism and commerce all play a part, he says. "Whether or not there was ever an 'Age of the Goddess' in Neolithic Europe," he writes, "there certainly was one among European intellectuals in the mid-20th century." Similarly, visitors to Cheddar gorge in Somerset learn at the new visitor centre that they will see gruesome evidence of possible cannibalism among Palaeolithic peoples.

That the Cheddar museum has managed to attract 1m visitors since it opened five years ago may, Mr Hutton says, have been "largely due to its promotion as the only [museum] in Britain to be dedicated to cannibalism". Another museum in Torquay interprets similar material with rather less dramatic results.

All this is more playful than waspish, but it is play with a purpose. Mr Hutton leads readers to question not only the ways in which Britain's ancient past is analysed, but also how all history is presented. He is also a lovely writer with a keen sense of the spiritual potency of Britain's ancient landscapes. Though he offers many interpretations of each archaeological finding, such variety serves to expand the reader's imagination rather than constrain it.

Towards the end of this engrossing book, Mr Hutton laments the way the open-ended questions of ancient history and archaeology appear unsuited to television, a medium that prefers definitive answers. For this reason, he writes, a programme that teaches viewers "what is known and what the options are, and then invites them to choose between them, is unlikely to get commissioned." Here, too, he may well have a point. But it would be a pity if he were right. ■

Business takeovers

Mad merger men

A Giant Cow-Tipping by Savages: The Boom, Bust and Boom Culture of M&A. By John Weir Close. Palgrave Macmillan; 320 pages; \$28 and £17.99

CORPORATE takeovers are often the morality plays of finance. Giant egos clash in epic displays of greed and fear. Houses in the Hamptons and chateaux in Provence are acquired with the fees generated for all the investment bankers, lawyers and public-relations folk involved. The press loves the drama. And the poor workers watch helplessly as their fate hangs in the balance.

Sometimes it seems as if no one knows what they are doing. Bob Campeau, a Canadian property developer, acquired a series of stores (including Bloomingdale's and Brooks Brothers) from the Allied and Federated groups in the late 1980s, with the help of a lot of debt. But few believed that Mr Campeau had a master plan for reviving these retailers; he was simply able to get the money. "Selling the company for a price that will bankrupt the buyer and result in the company being destroyed is not consistent with the board's fiduciary duties," warned Joe Flom, a lawyer for Feder- ►►

ated's board. The 1988 deal went through anyway, but Flom's advice proved prophetic. By January 1990 Allied and Federated had filed for bankruptcy.

John Weir Close, a journalist who founded the *M&A Journal*, has written an entertaining history of the American merger-and-acquisition scene since the mid-1980s. Rather oddly, he omits the best-known deal of all: the takeover of RJR Nabisco, immortalised in Bryan Burrough's and John Helyar's 1990 bestseller "Barbarians at the Gate". But many big names do

feature, such as Carl Icahn, a corporate raider; Sir James Goldsmith, a British mogul and supposedly the template for a character in "Wall Street", a film made in 1987; and Sumner Redstone, who went from running a small chain of cinemas into owning half of Hollywood. Then there is Ted Turner, a media titan whose disgust at the AOL-Time Warner merger (which cost him a fortune as vice-chairman of Time Warner) allegedly unleashed the insult that gives this book its title.

As Mr Close shows, takeovers tend to

acquire a life of their own. Bidders become so committed to a deal that they overpay, while the boards of target companies loathe their predators so much that they forget their duties to shareholders. As in sport, winning is everything.

Therein lies the problem. Despite the poor results of many of these mergers, Mr Close sees the raiders of the 1980s as iconoclasts who brought down the managerial elite. This led to "the end of exclusivity, snobbery, entitlement and stagnation," he argues. "And it is M&A that is largely responsible, for better or worse, for the upheaval." But the reality is that these merger waves did not necessarily prove beneficial: indeed, many deals were subsequently reversed. The outsized personalities, and the way they behaved, make for eminently readable stories. Perhaps the book's main fault is that it focuses on these entertaining anecdotes, rather than the bigger picture of how takeovers affect the economy. ■

Selling fine art

Purse of the beholder

Breakfast at Sotheby's: An A-Z of the Art World. By Philip Hook. *Particular Books*; 347 pages; £20

PHILIP HOOK, an impressionist and modern-art specialist at Sotheby's, believes that no one will spend more than 1% of his total wealth on art. So someone who pays \$100m would have to be worth at least \$10 billion. Mr Hook is in a good position to know, as he was the man who bid on behalf of Lily Safra, a Brazilian philanthropist, the night she paid \$103.4m for a bronze statue of a tall thin man by Alberto Giacometti in February 2010.

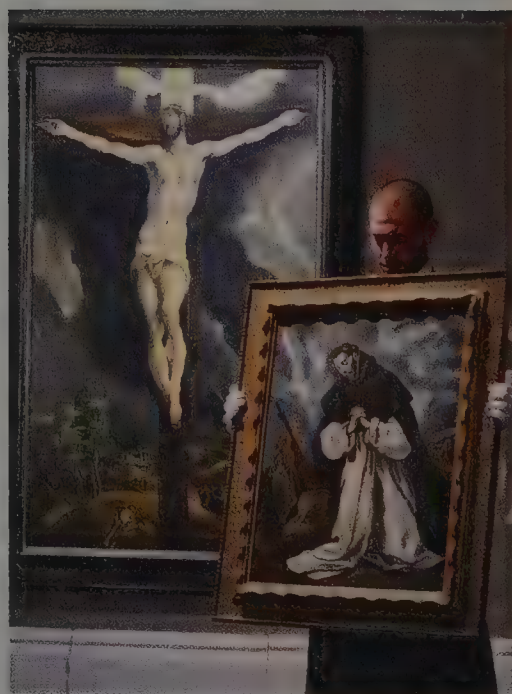
His delightful "Breakfast at Sotheby's" is a house sale of a book, a chance for him to clear out 35 years of memories as an art dealer and auctioneer, first at Christie's and then Sotheby's, a rival auction house. Besides the colourful stories, Mr Hook offers various theories about the art world, and keen insight on that vexing question of what gives art value. Amid the well-known answers (provenance, colour, "wall power") are some less obvious observations, both relevant and delightful.

Historical and biblical paintings are difficult to sell. They often involve death and many show a crucifixion; people shy away from scenes of martyrdom. An exception is St Sebastian, killed naked by arrow-shot, which offers a certain homoerotic appeal. (A German gallery once tried to exploit this by selling St Sebastian pincushions in its museum shop.) Among landscapes, Venice, Rome, Florence and Paris are popular subjects. A painting of the cathedral in Rouen sells for far more than depictions of its industrial quarter. Indeed, factory chimneys are always a problem, unless they are painted by L.S. Lowry, in which case they add street cred to connoisseurship.

Interiors also have their fashions.

Grand drawing rooms are a draw, as are bathrooms by Pierre Bonnard and hotel rooms by Henri Matisse (particularly if they are in Nice). Deserted Danish rooms with a single chair are hugely desirable; interiors of churches are not.

Railways are good news in paintings. People like trains. As symbols "of a mechanical progress that is now part of history", they are both exciting and nostalgic. The impressionists were particularly keen on them; the faster the journey, the more blurry the landscape. And if railways are good, railway stations are even better. No artist beats Paul Delvaux for juxtaposing female nudes and rolling stock. All that atmosphere, movement and impending separation. There is nothing like it. Many people call themselves art lovers but, as Mr Hook observes, most are also "trainspotters at heart". As for the giddy market, this book lends it some much-needed sense.



A tough sell

René Redzepi's approach to food

Carrots and sticks

A Work in Progress: Journal, Recipes and Snapshots. By René Redzepi. *Phaidon*; 648 pages; \$59.95 and £39.95

NOMA, a restaurant in an old warehouse in Copenhagen, was propelled to fame in 2010 when a collection of critics and food professionals anointed it the world's best restaurant—a title it defended for two more years, alongside its two Michelin stars. René Redzepi, Noma's head chef, has been hailed as the founder of "New Nordic" cuisine, which reinterprets Scandinavian ingredients to create unexpected dining experiences, such as eating ants and live shrimps, or seaweed and foraged herbs. Like devoted pilgrims, diners now come from around the world to sample Noma's cerebral, 20-course celebration of seasonal food.

Mr Redzepi has already written a book about his restaurant, which he opened in 2004. "A Work in Progress" is different: affecting the same spartan elegance of the restaurant itself, it comes as three unadorned books in a cardboard box, with recipes, photographs and, most interestingly, his journal from 2011. Written during the year after Noma became famous, in the spare moments between finishing service and falling asleep, this diary is the best portrait yet of the intellectual and emotional challenges of delivering one of the most creative menus in the business.

Who would want to be a *stagiaire* (trainee chef) in a leading restaurant? It involves 80-hour working weeks, the likeli- ►►



Dishing it up

hood of being scarred (mentally and physically) and the prospect of spending far more time with colleagues than with a partner or spouse. To cap it off, a *stagiaire* is not even paid. Yet Mr Redzepi's journal goes some way to explaining why his apprentices, at least, put up with the hardship. His kitchen is a laboratory where everyone can experiment. On Saturday nights staff are asked to prepare and present new dishes to the rest of the kitchen. One result which ended up on the menu was an edible mussel shell of flour, squid ink and clam juice.

Noma's staff has also spent a lot of time performing what he calls "trash cooking"—using the produce and animal bits that most people throw away. One such dish mixes frozen slivers of cod liver with fish scales cooked in clarified butter. What emerges from Mr Redzepi's chronicles is a portrait of thrift, environmental sensitivity and ingenuity. His kitchen is constantly redefining the flavours available during the barren months of winter. He once had his staff explore ways to serve a carrot. The experiments were astoundingly comprehensive. Someone turned fermented carrots into a cocktail. Smoked dried carrots were the most interesting discovery, though too savoury for the planned dessert.

Mr Redzepi's journal also captures the drama of feeding other world-famous chefs (such as Ferran Adrià and Fergus Henderson) at his annual MAD symposium, which he has hosted in Copenhagen since 2011. This event brings together chefs, scientists, farmers and activists for two days of foodie seminars and displays.

Such creative approaches to cuisine do not come cheap, for either the participants or the customers. Indeed, Noma nearly went bankrupt, despite its popularity, until Mr Redzepi raised prices and introduced efficiencies. Altogether this trio of books gives the clearest picture yet of the costs, stresses and triumphs of a chef who is striving to turn mealtimes into opportunities for delight and surprise. ■

Renaissance painting

The greatest

Michelangelo: His Epic Life. By Martin Gayford. Fig Tree; 662 pages; £30

LORENZO DE' MEDICI, ruler of the Florentine Republic, was so taken by a statue carved by an adolescent that he proposed to make the sculptor a member of his household. The boy's father was not impressed. He told Lorenzo that his family would be demeaned if his son were to become a stonemason. But the youth believed that he had been born to carve stone, and so the father relented. In the Medici court the young sculptor was given a violet cloak, paid five ducats a month and treated as an artist. As it turned out, the sculptor, Michelangelo Buonarroti, was also born to paint, write poetry and be an architect. He even showed considerable talent for military engineering.

Michelangelo died in 1564 at the age of 88. The scale, variety and quality of his work during his long life are staggering. Generations of historians and biographers have tried both to explain and describe it. He was the subject of two biographies during his lifetime, and he appeared prominently in Giorgio Vasari's "Lives of the Artists", a seminal work of 16th-century art criticism. In Martin Gayford's monumental new epic, the bibliography alone covers 15 pages. There will always be something worth saying about the man who sculpted a naked David 17 feet (5.5 metres) high and who painted the ceiling (detail pictured below) and the awesome "Last Judgment" in the Sistine Chapel. He came to architecture late in life but his staircase to the Lauren-

tian Library in Florence is so beautiful that it transforms an architectural detail into a dazzling work of art.

Recent biographies of artists such as Titian and Vincent van Gogh have not been light reading, in either the literary or the literal sense. To distinguish their work from earlier biographies, authors dig deep into the social and political context in which these artists worked, and so does Mr Gayford. A gifted popular art historian, he has also become a student of the papacy in the 16th century. He writes that Michelangelo, who worked for ten popes, also argued with them and sometimes refused to do their bidding: "highly unwise, but revolutionary," says Mr Gayford. Only in Florence did the church authorities know how to cope with him. "His disposition is such that, if spoken to kindly, he will do everything," they told Pope Julius II, his patron. "It is necessary to show him love and favour him."

That was not easy. Michelangelo was the most uncompromising of men; he insisted that he had not been taught anything by anyone and he preferred to work alone. He was also a miserly curmudgeon, given to complaining—about his tailor in Florence, for instance, who did not let him try on a doublet that turned out to be tight across the chest. Although he was entranced by handsome young men, he seemed to have had little appetite for sex. Eventually he quarrelled with nearly every one of his friends.

Although he was a contemporary—and unrelenting rival—of Leonardo da Vinci and Raphael, Michelangelo is an incomparable figure among artists, in a rarefied league with Shakespeare and Mozart. It is the job of a popular historian to remind each generation of the remarkable qualities of real genius. Mr Gayford's readable life does just that. ■



A touch of genius



The world's looking towards Asia. Are you?

The Lee Kuan Yew School offers you a world-class master's degree and an opportunity to network with Asia's future leaders.

MPP Master in Public Policy	MPA Master in Public Administration
MPM Master in Public Management	SCHOLARSHIPS
	INTERNATIONAL EXCHANGES
	DOUBLE DEGREES

Scholarships and grants available to candidates who qualify.
*Double degree partners include Columbia SIPA, LSE and Sciences Po.
Application deadline: 15 January 2014

www.lkyspp.nus.edu.sg



#2 WORLDWIDE EXECUTIVE MBA
THE ECONOMIST 2013

EXECUTIVE MBA+

Some people dream about success, others make it a reality. The Executive MBA+ is designed for professionals like you who want to broaden their career possibilities, master skills beyond their area of expertise and earn recognition in a competitive business world. Our top-ranked 15 month program, with its specialized modules, outstanding faculty and networking opportunities, offers the perfect blend of interactive online periods and intensive residential periods. Take the next step in your career with the IE Executive MBA+. Because you change, we change with you.

www.ie.edu/executive-mba-plus | exmbaplus.admissions@ie.edu

STEP BACK TO EVALUATE GLOBAL LEADERSHIP ISSUES IN CAMBRIDGE...

...AND EMPOWER YOUR ORGANISATION TO REACH NEW PERFORMANCE LEVELS.

Executive Education

Taking place in Cambridge over 3 weeks, our world-leading **Advanced Leadership Programme** is for senior executives who aim higher.

alpenquiries@jbs.cam.ac.uk
www.jbs.cam.ac.uk/execed/cambridgeadvanced.html



Department
for Education

Chief Analyst | London
Circa £105,000 + competitive pension

We are looking for people who share our commitment to transforming the country's education system and improving the lives of children and young people. The Chief Analyst will be an exceptional thinker who will effect a real change in the way the Department presents and uses data and research; balancing a deep understanding of analytical disciplines with an ability to engage and inspire people.

For further information, please visit the Civil Service Jobs website www.civilservice.gov.uk/jobs and search using ref: 1387973.

The Department for Education is an equal opportunities employer. Closing date: 31 December 2013.

HEAD, PUBLIC RELATIONS AND COMMUNICATIONS



African Insect Science for Food and Health

icipe – African Insect Science for Food and Health is an intergovernmental organisation funded by governmental aid agencies, UN organisations and private foundations to carry out research and training in environmentally sound and sustainable management of arthropods for improving health and agricultural productivity in the tropics. icipe has 400 staff to support its research and capacity building programmes located at various sites in Kenya and Ethiopia. For more information visit www.icipe.org

icipe is now seeking a dynamic **Public Relations and Communications Head** to provide leadership and coordination for all communication and public relations activities of the Centre. This is an international appointment.

To find the full details for this challenging opportunity as well as other local positions, please visit: www.icipe.org/jobs

Applications should be received before the **12th January 2014** or until the position is filled.

icipe is an equal opportunity employer and women are particularly encouraged to apply.



European Bank
for Reconstruction and Development

SENIOR COUNSELLOR, GOVERNANCE £COMPETITIVE | LONDON

In 34 countries from central Asia and Russia to eastern Europe and the southern and eastern Mediterranean, the European Bank for Reconstruction and Development (EBRD) finances projects, mainly with private enterprises. Bearing risk on behalf of our clients, we help countries in our regions transition towards open, market economies.

As part of our efforts to reduce investment obstacles in our countries of operations, you'll design and oversee implementation of country-specific Investment Climate and Good Governance Initiatives (ICGGI) in selected countries. You'll draw on the expertise of various departments to identify where we can add value, before tailoring the programmes for the specific country and tracking ongoing progress.

You'll need extensive experience of managing complex projects and delivering results in a multi-cultural environment – experience that will have honed your ability to negotiate and make a real impact. You'll also have a thorough knowledge of investment climate issues and economic governance.

For a more comprehensive job description and details of how to apply, visit www.ebrdjobs.com

The deadline for applications is **20 December 2013**.

WE INVEST IN CHANGING LIVES

WWW.EBRDJOBS.COM



Technical University of Denmark



ENERGY EFFICIENCY EXPERTS for the SE4ALL Energy Efficiency Hub

UNEP Risoe Centre. The SE4ALL Energy Efficiency Hub has recently been established as part of the UN initiative "Sustainable Energy for All" in collaboration between UNEP, Danida and the Technical University of Denmark (DTU). Located in the UN City, Copenhagen, the EE Hub will play a key global role as a champion for advancing one of the three goals of SE4ALL: to double the global rate of improvement in energy efficiency by 2030. In pursuit of these objectives, the EE Hub is now recruiting four Energy Efficiency Experts.

The SE4ALL EE Hub is one of four programmes at the UNEP Risoe Centre (URC) on Energy, Climate and Sustainable Development: see www.uneprisoe.org. Over the past 20 years, URC has become a leading international research and advisory centre on energy, climate and sustainable development. The successful candidates will join an international team of 48 professionals in an interdisciplinary work environment.

Application deadline: **7 January 2014**

DTU is a technical university providing internationally leading research, education, innovation and public service. Our staff of 5,000 advance science and technology to create innovative solutions that meet the demands of

society; and our 9,000 students are educated to address the technological challenges of the future. DTU is an independent academic university collaborating globally with business, industry, government, and public agencies.

Further details: career.dtu.dk

UF UNIVERSITY of FLORIDA

The Foundation for The Gator Nation

Multiple Faculty Hires for Food Systems Hub at the University of Florida

The University of Florida (UF) announces the availability of seven faculty positions with the aim of forming a "Food Systems Hub" to consolidate and synergize campus-wide interests and efforts in food security, food safety, and food transportation to help meet future societal needs for safe and nutritious food. This interdisciplinary effort includes positions in the Colleges of Engineering, Public Health and Health Professions, Florida Climate Institute, Emerging Pathogens Institute, and the Institute of Food and Agricultural Sciences (IFAS). Of particular interest are individuals with capabilities in systems modeling.

Areas of high interest include, but are not limited to:

- Socio-economic assessment and modeling of food systems at regional to global scales
- Integrative food systems modeling
- Crop/livestock modeling of responses to climate variability, extreme events, and climate change
- Agro-ecological issues as they affect the food supply, production, and land use
- Microbial risk analysis as a predictor of food safety
- Modeling pests and diseases of crops and livestock
- Incorporating genomics information in modeling food production
- Epidemiology and surveillance
- Systems engineering to address food security, safety, processing, and distribution
- Modeling of human nutritional & health impacts of alternative food systems and policies
- Application of technologies and practices that address food safety, security, processing and distribution

Successful candidates for these positions will have a proven track record of publication in top journals, recognition as current or emerging leaders in their disciplines, demonstrated ability to establish or work effectively in interdisciplinary collaborations, and success in obtaining significant extramural funding.

Interested individuals may self-nominate or be nominated by their peers by submitting a letter of interest, along with a brief summary of research accomplishments and ongoing research, and a Curriculum Vitae to:

Douglas L. Archer
Chair, Food Hub Steering Committee
1022 McCarty Hall
PO Box 110200
Gainesville, FL 32611-0200
dlarcher@ufl.edu

This will be a rolling search for these positions and we anticipate inviting potential candidates to Gainesville to present seminars in January and February 2014. Interviews will continue until all positions are filled.

The University of Florida is an Equal Opportunity Institution dedicated to building a broadly diverse and inclusive faculty and staff.



AFRICAN REINSURANCE CORPORATION SOCIÉTÉ AFRICAINE DE REASSURANCE (AFRICA RE)

The African Reinsurance Corporation (Africa Re) is an International Financial Institution owned by 41 member States of the African Union (AU) and the African Development Bank (AfDB). Other shareholders comprise one hundred and seven (107) insurance/reinsurance companies and four development finance institutions namely, the International Finance Corporation (IFC), DEG (Germany) FMO (Netherlands) and PROPARGO (France) as well as IRB-Brasil Re, a Brazilian reinsurance company. Africa Re is headquartered in Lagos, Federal Republic of Nigeria, with regional offices in Casablanca (Morocco), Lagos (Nigeria), Nairobi (Kenya), Abidjan (Côte d'Ivoire), Ebene (Mauritius) and Cairo (Egypt). The corporation also has a contact office in Addis Ababa and two subsidiaries in Johannesburg (Africa Re South Africa) and in Cairo (Africa Retakful).

AFRICA RE ANNOUNCES THE VACANCY FOR THE POSITION OF EXTERNAL AUDITORS

Applicants should meet the following criteria:

- be a corporate entity from a member State of the African Reinsurance Corporation (cf. List of member States in the Guide for the External Auditors);
- be owned by African national interests and should have been incorporated in line with the laws and regulations of the countries in which the entity is established;
- be registered in a member country and licensed to practise financial and accounting audit as its core area of business;
- show proof of relevant technical and professional qualification; proof of qualification should be in respect of all registered partners, managers and other key professionals;
- have technical staff with at least five (5) years' experience in the audit of accounting and financial records of companies comparable to Africa Re;
- demonstrate previous experience in the insurance/reinsurance industry;
- show proof of professional experience by indicating audited companies including international or financial institutions or reinsurance companies of the size of Africa Re;
- be of good reputation and standing;
- specify the audit duration, estimated cost and procedure;
- have branch offices/affiliates in the host countries of Africa Re office locations.

The Guide for the External Auditors can be obtained by candidates from the Headquarters of the Corporation in Lagos or from one of the regional offices below.

AFRICA RE HEADQUARTERS

Plot 1679, Karimu Kotun St., Victoria Island, P.M.B. 12765, Lagos, NIGERIA
Tel: (234-1) 4616820-8, 2800924-5
Telefax: (234-1) 2800074
E-mail: info@africa-re.com

CASABLANCA REGIONAL OFFICE (THE MAGHREB REGION)

33 Boulevard Moulay Youssef, B.P. 7556, Casablanca, Maroc
Tel: (212) 22 43 77 00 - 5
Fax: (212) 22 43 77 29 - 30
E-mail: casablanca@africa-re.com

NAIROBI REGIONAL OFFICE (EAST AND SOUTHERN AFRICA)

Africa Re Centre, Hospital Road, Upper Hill, Nairobi. P.O. Box 62328 - 00200, Nairobi
Tel: (254-20) 297-0000
Fax: (254-20) 297-0666, 297-0777
E-mail: nairobi@africa-re.com

ABIDJAN REGIONAL OFFICE (FRANCOPHONE WEST & CENTRAL AFRICA)

Rue Viviane A24 - Cocody Ambassades, 20 B.P. 1623 Abidjan 20.
Tel: (225) 22404480 / 75
Fax: (225) 22404482
E-mail: abidjan@africa-re.com

MAURITIUS REGIONAL OFFICE (THE INDIAN OCEAN ISLANDS AND SOUTH EAST ASIA)

11th Floor, One Cyber City, Ebene, Mauritius
Tel: (230) 454-7074
Fax: (230) 454-7067
E-mail: p.louis@africa-re.com

CAIRO REGIONAL OFFICE (NORTH-EAST AFRICA & THE MIDDLE EAST)

7, Elkhallily Str. Plot No. 1149, Masaken Sheraton, Heliopolis, Postal Code: 11361, Cairo, Egypt
Tel: (202) 22685668
Fax: (202) 22685667
E-mail: cairo@africa-re.com

SOUTH AFRICAN SUBSIDIARY

African Reinsurance Corp. (South Africa) Ltd (ARCSA), Africa Re Place, 10 Sherbourne Road, Parktown 2193, Johannesburg,
Tel: (27-11) 484-3764
DL: (27-11) 351 9598
Fax: (27-11) 484 - 1001
E-mail: africare@africare.co.za

APPLICATIONS SHOULD BE SENT TO

The Managing Director,
African Reinsurance Corporation
Plot 1679, Karimu Kotun Street
Victoria Island, P.M.B. 12765 LAGOS, NIGERIA

Tel: (234-1) 4616820-8, 2800924-5
Telefax: (234-1) 2800074
E-mail: info@africa-re.com

DEADLINE FOR SUBMISSION OF APPLICATIONS: 28 FEBRUARY 2014



Tenders



InfraCo
Africa

InfraCo Asia Seeks Developer Teams for Myanmar

InfraCo Asia Development is a privately managed infrastructure development company which aims to stimulate greater private sector investment in infrastructure projects in low income countries in South Asia and South East Asia. It acts as principal to develop commercially viable infrastructure that contributes to poverty reduction and is funded by the Australian Department of Foreign Affairs and Trade (DFAT), the Swiss State Secretariat for Economic Affairs (SECO) and the Department for International Development (UKAid) through the multi-donor Private Infrastructure Development Group (PIDG).

For more information, see www.infracoasia.com and www.pidg.org

This is an invitation to submit Expressions of Interest (EOIs) in relation to two solicitations:

- Invitation to submit an EOI in relation to the provision of pre-financial close infrastructure development services to InfraCo Asia in Myanmar (Developer Services).
- Invitation to submit an EOI in relation to specific infrastructure opportunities under development, but not yet having reached financial close, in Myanmar (Specific Projects).

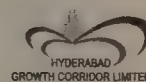
Interested parties may submit EOIs in respect of Part A only, Part B only or both Parts A and B. EOIs should be submitted by 21st January 2014.

For full details of the intended process, please visit
www.infracoasia.com/eoi



NOTICE INVITING TENDERS (NIT)

International Competitive Bidding



Tender Notice. No: ORR/HGCL/JICA 2 / HTMS / 2013-14 Dt : 14.12.2013

The HYDERABAD GROWTH CORRIDOR LIMITED (HGCL), a joint venture of Hyderabad Metropolitan Development Authority (HMDA) and Infrastructure Corporation of Andhra Pradesh (INCAP), invites tenders from eligible firms / voluntarily formed JVs / Consortiums for the following work being taken up with the Loan assistance of Japan International Cooperation Agency.

"Design, Supply, Installation, Testing, Commissioning, of equipment of Highway Traffic Management System (HTMS) and Related Facilities for Outer Ring Road to Hyderabad City in the State of Andhra Pradesh, India including Operation & Maintenance of HTMS and Related Facilities for a period of Five Years"

Period of Sale of Documents: 14.12.2013 to 10.03.2014

Last Date & Time for submission of Tenders: 11.03.2014 up to 1500 hrs IST

For further details & to download the Tender Document log on to <http://www.hmda.gov.in> or contact the address given below

Address for Communication:

Chief General Manager (Tech)
Hyderabad Growth Corridor Limited
2nd Floor, HMDA Complex, Tanaka, Secunderabad - 500 007
Andhra Pradesh, India, Telephone : +91 40 27002913
Fax: +91 40 27003271, Email: cgmhgcl@gmail.com



From: 5/12/2013 **To:** 13/01/2014
Client: ECOWAS Commission
Type: Expression of Interest
TITLE: RECRUITMENT OF A SAP PUBLIC SECTOR SYSTEM SUPERVISING CONSULTANT

The Economic Community of West African States (ECOWAS) is implementing an Eighteen (18) months project (October 2013 – March 2015) to replace current systems with a SAP ERP Public Sector solution for finance, materials management, travel management, human resources and payroll. The SAP server and hardware is housed at the ECOWAS Commission Headquarters. The SAP environment, also to be supported at ECOWAS Commission Headquarters, is ECC 6.0.

The following SAP modules are to be installed, providing integrated enterprise resource planning and management:

- Finance and Control (FI/CO)
- Fund Management (FM)
- Asset Management (AM)
- Materials Management (MM)
- Inventory Management (IM)
- Human Resource Management (HRM)
- Travel Management
- Document Management Systems
- Netweaver Portal
 - Employee Self Service [ESS]
 - Manager Self Service [MSS]

2 ECOWAS requires the support of a senior FI/Funds Management resource that has ECC6.0 experience. The consultant will use their consulting skills, business knowledge, and packaged solutions expertise to effectively integrate packaged technology into the client's business environment in order to achieve client expected business results.

3 **Duties of the consultant:**

Consultant will play a leading role in the Project implementation and be involved in all phases from project initiation, through the blueprint phase, gap analysis and mapping performance, to the build phase of design and technical solutions configuration. This would be followed by deployment phase of testing, user training, Production, Go-Live and the provision of post-production support services.

Consultant will lead application integration efforts and should be hands on in working with business users in understanding the requirements and determine technical solutions and its ability to support business needs.

The following Duties are the key aspects of the Assignment:

- ✓ To implement and deploy, as per the design-process models and systems/solutions architecture.
- ✓ To translate business requirements into coherent solutions, carefully balancing functional needs with data architecture.
- ✓ Implement appropriate processes to drive high quality and critical sustainable solutions
- ✓ Directly accountable for Data modelling and process modelling
- ✓ Assume responsibility and be accountability for technical, functional and product design, maintenance and client services provision
- ✓ Establish and develop relationships across the organization with peers, and facilitates the development of initiatives
- ✓ Establish and maintain good client relationships, assists in stakeholder benefits identification and management
- ✓ Provide specialist coaching and guidance with skills/knowledge transfer as relevant within the organization and its clients
- ✓ Involved in all phases of project implementation.

4 The Consultant selected to conduct this mission should, at least:

- ✓ Candidate should have at least a Masters' Degree in a relevant field
- ✓ Should be SAP Certified at the date of application
- ✓ Have at least 6 year's hands-on experience with SAP FI configuration
- ✓ At least 4 years' experience in 3 full project lifecycle implementation with the SAP FM module
- ✓ At least 4 years experience in 3 full project lifecycle implementations as a Team Leader on SAP engagements implementing the FI module.

The Consultant should also have

- ✓ knowledge of integration of other SAP modules
- ✓ Familiarity with SAP Implementation Methodology
- ✓ Good knowledge of project management tools like Prince2, ITIL
- ✓ Good knowledge of a project scheduling tool, e.g. MS Project
- ✓ Excellent interpersonal, report writing and communication skills
- ✓ Excellent problem-solving skills
- ✓ Capacity to work under pressure in a multicultural environment
- ✓ Excellent knowledge of the working of international organizations.
- ✓ Candidate must be fluent in one of the official languages of ECOWAS; English, French and Portuguese. A working knowledge of another would be an advantage.

5 The ECOWAS Commission now invites eligible Consultants (Individual) to indicate their interests in providing these services. The interested Consultants must provide all information supporting their qualification to perform the services (Kindly attach detailed Curriculum Vitae that highlights the following: Curriculum and Certificates; Past Experiences of similar jobs over the past ten (10) years; IT knowledge; knowledge of the area; language and any other information useful for the accomplishment of this project).

6 The selection will be based on comparison of curriculum vitae and the selected successful Consultant will be invited to submit Technical and Financial Proposals which will serve as the basis for negotiation of the Contract (Selection of Individual Consultant base on Qualification.)

7 Interested consultants may obtain further information at the address below during office hours: **Monday to Friday from 9: 00 a.m. (GMT+1) to 5 .00 p.m. (GMT+1).**

ECOWAS Commission, Directorate of General Administration, Procurement Unit, 101,Yakubu Gowon Crescent Asokoro District, P. M. B. 401 Abuja Nigeria,
Email: procurement@ecowas.int

8 Expressions of interest must be delivered in sealed envelope and clearly marked: "RECRUITMENT OF A SAP PUBLIC SECTOR SYSTEM SUPERVISING CONSULTANT, do not open except in presence of the Tender Committee" to the address below by January 13, 2014 at 10.30 a.m (GMT+1),

The ECOWAS Tender Box is located in the Office of the Executive Assistant of the Commissioner, Administration & Finance, 5th Floor ECOWAS Commission, 101 Yakubu Gowon Crescent, Asokoro District, P. M. B. 401 Abuja Nigeria.

9 This request for EoI can also be viewed on this website: www.ecowas.int/services

classified@eqcp.com



From: 5/12/2013 **To:** 13/01/2014
Client: ECOWAS Commission
Type: Expression of Interest
TITLE: RECRUITMENT OF A SAP PUBLIC SECTOR SYSTEM CHANGE MANAGER

The Economic Community of West African States (ECOWAS) is implementing an Eighteen (18) months project (October 2013 – March 2015) to replace current systems with a SAP ERP Public Sector solution for finance, materials management, travel management, human resources and payroll. The SAP server and hardware is housed at the ECOWAS Commission Headquarters. The SAP environment, also to be supported at ECOWAS Commission Headquarters, is ECC 6.0

The following SAP modules are to be installed, providing integrated enterprise resource planning and management:

- Finance and Control (FI/CO)
- Fund Management (FM)
- Asset Management (AM)
- Materials Management (MM)
- Inventory Management (IM)
- Human Resource Management (HRM)
- Travel Management
- Document Management Systems
- Netweaver Portal
 - Employee Self Service [ESS]
 - Manager Self Service [MSS]

2 ECOWAS Commission requires the support of an experienced Change Manager to work on the SAP project. The Change Manager will be accountable for all the change activities within the SAP Implementation Program.

3 Duties of the consultant:

The Change Manager will play a key role in supporting the deployment of technology by ensuring that project activities included in the project budget are delivered in line with agreed business change methodology that includes business transition planning, communication planning, working practices and training development, in order to realize business benefits. The person will focus on the people side of change – including changes to business processes, systems and technology, job roles and organization structures. The primary focus will be creating and implementing change management plans that minimize employee resistance and generate total employee acceptance.

The change manager will act as a coach for senior leaders and executives leadership by helping them fulfil their critical role of Change Sponsor and will also support the Project Team in integrating change management activities into the project plans.

The following Duties are the key aspects of the Assignment:

- a. Application of a structured methodology
- b. Lead change management activities.
- c. Completion of change management assessments.
- d. Creation of change management strategy.
- e. Identification, analysis, and preparation of risk mitigation tactics.
- f. Identification and management of anticipated resistance.
- g. Consultation and coaching of project team.
- h. Fully engaged in all phases of project implementation.

4 The Consultant selected to conduct this mission should, at least:

- A Master's degree in a relevant discipline will be an added advantage
- At least 5 year experience of business change management
- Experience and knowledge of change management principles, methodologies and tools
- Proven knowledge and experience in the design and delivery of complex human capital change management programs
- A change management certification is a plus
- Knowledge and experience of using SAP or any similar ERP system, will be a definite edge.

The Consultant should also have

- Good knowledge of project management tools like Prince2, ITIL
- Good knowledge of a project scheduling tool, e.g. MS Project
- Excellent interpersonal, report writing and communication skills
- Excellent problem-solving skills
- Capacity to work under pressure in a multicultural environment
- Excellent knowledge of the working of international organizations
- Candidate must be fluent in one of the official languages of ECOWAS; English, French and Portuguese. A working knowledge of another would be an advantage.

5 The ECOWAS Commission now invites eligible Consultants (Individual) to indicate their interests in providing these services. The interested Consultants must provide all information supporting their qualification to perform the services (Kindly attach detailed Curriculum Vitae that highlights the following: Curriculum and Certificates; Past Experiences of similar jobs over the past ten (10) years; IT knowledge; knowledge of the area; language and any other information useful for the accomplishment of this project).

6 The selection will be based on comparison of curriculum vitae and the selected successful Consultant will be invited to submit Technical and Financial Proposals which will serve as the basis for negotiation of the Contract (Selection of Individual Consultant base on Qualification). **Selected consultant should be in position to join ECOWAS in Abuja, Nigeria within a month of receiving the final offer.**

7 Interested consultants may obtain further information at the address below during office hours: **Monday to Friday from 9: 00 a.m. (GMT+1) to 5 .00 p.m. (GMT+1).**

ECOWAS Commission, Directorate of General Administration, Procurement Unit, 101, Yakubu Gowon Crescent Asokoro District, P. M. B. 401 Abuja Nigeria,
Email: procurement@ecowas.int

8 Expressions of interest must be delivered in sealed envelope and clearly marked: **"RECRUITMENT OF A SAP PUBLIC SECTOR SYSTEM CHANGE MANAGER, do not open except in presence of the Tender Committee"** to the address below by **Wednesday , January 13, 2014 at 10.30 a.m (GMT+1),**

The ECOWAS Tender Box is located in the Office of the Executive Assistant of the Commissioner, Administration & Finance, 5th Floor ECOWAS Commission, 101 Yakubu Gowon Crescent, Asokoro District, P. M. B. 401 Abuja Nigeria.

9 This request for EoI can also be viewed on this website: www.ecowas.int/services



Invitation for Bids (IFB)
ICB No: 04/ECOWAS/2013

Date: 04th December 2013

The ECOWAS COMMISSION with the financial support of the European Union has allocated funds towards the cost of the Supply, Installation & Maintenance of VSAT for the implementation of SAP within ECOWAS INSTITUTIONS.

2. The ECOWAS Commission therefore invites sealed bids for the Supply, Installation & Maintenance of VSAT for the implementation of SAP at ECOWAS INSTITUTIONS described above **in one lot**.
3. The Bidding Document can be obtained at the Procurement Division, Directorate of General Administration, ECOWAS Commission, Plot 101, Yakubu Gowon Crescent, Asokoro District, Abuja, Nigeria, upon submission of a written request and payment of Three hundred US Dollars (US\$300.00) by Cash or Bank Draft made in favour of ECOWAS Commission, Abuja.
4. For Bidders outside Nigeria, the Bidding Document can be mailed to interested Bidders **upon payment (by Transfer) of non-refundable fee of US\$300.00 to the Commission (transfer charges born by the bidder)**. (Account Details available on request.)
5. Interested Bidders may obtain further information at the address below, during office hours: Monday to Friday from **9.00am (8.00am GMT+1) to 4.00pm (3.00pm GMT+1)**, ECOWAS Commission, Directorate of General Administration, Procurement Division, 1st Floor, Plot 101, Yakubu Gowon Crescent, Asokoro District, PMB 401 Abuja Nigeria.
E-mail: procurement@ecowas.int
6. Bids shall be valid for a period of 120(days) after Bid Opening and must be accompanied by a **bid security of US\$30,000 (Bank Guarantee or Insurance Bond)**.
7. Bids shall be delivered in sealed envelope and deposited in the ECOWAS Tender Box located at the Office of the Executive Assistant of Commissioner of Administration & Finance, fifth (5th) floor of the ECOWAS Commission Building, 101, Yakubu Gowon Crescent Asokoro District, P. M. B. 401, Abuja, **Nigeria on or before January 23rd, 2014 at 11.30 am (10.30 am GMT+1)** and clearly marked "International Competitive Bidding for the Supply, Installation & Maintenance of VSAT for the implementation of SAP within ECOWAS INSTITUTIONS" Do Not Open, Except in Presence of the Committee.
8. Bids will be opened in the presence of the bidders who wish to attend **on January 23rd 2014, at 12.00 noon (11.00 am GMT+1), Room 523, ECOWAS Commission, Abuja, Nigeria.**



Invitation for Bids (IFB)
ICB No: 03/ECOWAS/2013

Date: 05 DECEMBER, 2013

The ECOWAS COMMISSION with the financial support of the European Union has allocated funds towards the cost of the Supply, Installation & Maintenance of Hardware Equipment for the implementation of SAP within ECOWAS INSTITUTIONS.

2. The ECOWAS Commission therefore invites sealed bids for the Supply, Installation & Maintenance of Hardware Equipment for the implementation of SAP within ECOWAS INSTITUTIONS described above **in one lot**.
3. The Bidding Document can be obtained at the Procurement Division, Directorate of General Administration, ECOWAS Commission, Plot 101, Yakubu Gowon Crescent, Asokoro District, Abuja, Nigeria, **upon submission of a written request and payment of three hundred US Dollars (US\$300.00) by Cash or Bank Draft made in favour of ECOWAS Commission, Abuja.**
4. For Bidders outside Nigeria, the Bidding Document can be mailed to interested Bidders **upon payment (by Transfer) of non-refundable fee of US\$300.00 to the Commission (transfer charges born by the bidder)**. (Account Details available on request.)
5. Interested Bidders may obtain further information at the address below, during office hours: Monday to Friday from **9.00am (8.00am GMT+1) to 4.00pm (3.00pm GMT+1)**, ECOWAS Commission, Directorate of General Administration, Procurement Division, 1st Floor, Plot 101, Yakubu Gowon Crescent, Asokoro District, PMB 401 Abuja Nigeria.
E-mail: procurement@ecowas.int
6. Bids shall be valid for a period of 120(days) after Bid Opening and must be accompanied by a **bid security of US\$30,000 (Bank Guarantee or Insurance Bond)**.
7. Bids shall be delivered in sealed envelope and deposited in the ECOWAS Tender Box located Office of the Executive Assistant of Commissioner of Administration & Finance, fifth (5th) floor of the ECOWAS Commission Building, 101, Yakubu Gowon Crescent Asokoro District, P. M. B. 401, Abuja, **Nigeria on or before January 23rd, 2014 at 11.30 am (10.30 am GMT+1)** and clearly marked "International Competitive Bidding for the Supply, Installation & Maintenance of Hardware Equipment for the implementation of SAP within ECOWAS INSTITUTIONS" Do Not Open, Except in Presence of the Committee.
8. Bids will be opened in the presence of the bidders who wish to attend **on January 23rd, 2014 at 12.00 noon (11.00 am GMT+1), Room 523, ECOWAS Commission, Abuja, Nigeria.**

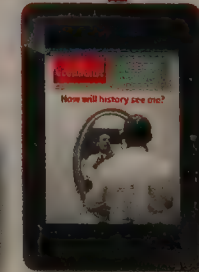
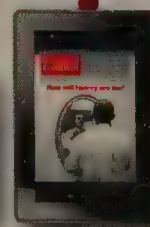
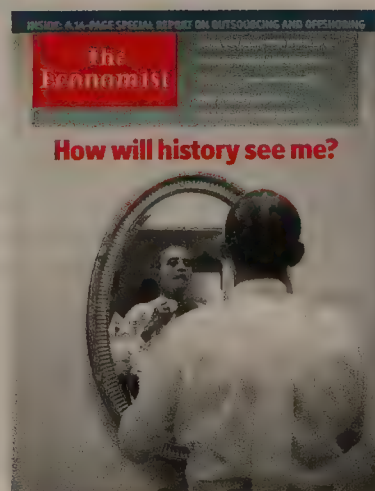
classified@eqcp.com

Economic data

% change on year ago

	Gross domestic product			Industrial production latest	Consumer prices		Unemployment rate, %	Current-account balance		Budget balance % of GDP 2013†	Interest rates, % 10-year gov't bonds, latest	Currency units, per \$	
	latest	qtr* 2013†	2013†		latest	2013†		latest 12 months, \$bn	% of GDP 2013†			Dec 11th	year ago
United States	+1.8 Q3	+3.6	+1.7	+3.2 Oct	+1.0 Oct	+1.5	7.0 Nov	-412.9 Q2	-2.4	-4.1	2.84	-	-
China	+7.8 Q3	+9.1	+7.7	+10.0 Nov	+3.0 Nov	+2.7	4.0 Q3§	+14.0 Q3	+1.9	-2.0	4.44§§	6.07	6.25
Japan	+2.4 Q3	+1.1	+1.8	+4.7 Oct	+1.1 Oct	+0.3	4.0 Oct	+41.2 Oct	+1.0	-8.2	0.66	102	82.4
Britain	+1.5 Q3	+3.2	+1.4	+3.2 Oct	+2.2 Oct	+2.6	7.6 Aug††	-102.1 Q2	-3.5	-7.2	3.10	0.61	0.62
Canada	+1.9 Q3	+2.7	+1.7	+3.2 Sep	+0.7 Oct	+1.0	6.9 Nov	-59.9 Q3	-3.1	-2.7	2.65	1.06	0.99
Euro area	-0.4 Q3	+0.3	-0.4	+1.0 Sep	+0.9 Nov	+1.4	12.1 Oct	+251.1 Sep	+2.0	-3.0	1.82	0.73	0.77
Austria	+0.7 Q3	+2.5	+0.4	-0.1 Sep	+1.4 Oct	+2.1	4.8 Oct	+10.4 Q2	+2.6	-2.9	2.15	0.73	0.77
Belgium	+0.4 Q3	+1.2	+0.1	+0.4 Sep	+0.8 Nov	+1.2	9.0 Oct	-16.2 Jun	-1.0	-3.0	2.51	0.73	0.77
France	+0.2 Q3	-0.6	+0.2	nil Oct	+0.6 Oct	+1.0	10.9 Oct	-45.5 Oct	-1.9	-4.1	2.30	0.73	0.77
Germany	+0.6 Q3	+1.3	+0.5	+1.1 Oct	+1.3 Nov	+1.6	6.9 Nov	+254.0 Oct	+6.9	+0.1	1.82	0.73	0.77
Greece	-3.0 Q3	na	-3.6	-5.2 Oct	-2.9 Nov	-0.8	27.4 Sep	+1.1 Sep	+0.8	-2.2	8.84	0.73	0.77
Italy	-1.8 Q3	-0.1	-1.8	-0.5 Oct	+0.6 Nov	+1.3	12.5 Oct	+13.4 Sep	+0.5	-3.2	4.06	0.73	0.77
Netherlands	-0.6 Q3	+0.3	-1.1	+2.1 Oct	+1.5 Nov	+2.6	8.5 Oct	+79.9 Q2	+10.6	-3.5	2.15	0.73	0.77
Spain	-1.2 Q3	+0.5	-1.3	+1.8 Oct	-0.1 Oct	+1.5	26.7 Oct	+9.3 Sep	+0.8	-7.1	4.07	0.73	0.77
Czech Republic	-0.4 Q3	-0.3	-1.4	+3.5 Oct	+1.1 Nov	+1.3	7.7 Nov§	-3.4 Q3	-1.6	-2.9	2.23	19.9	19.4
Denmark	+0.5 Q3	+1.4	+0.3	+3.2 Oct	+0.5 Nov	+0.7	5.7 Oct	+22.6 Oct	+5.5	-2.3	1.87	5.41	5.74
Hungary	+1.8 Q3	+3.6	+0.7	+6.1 Oct	+0.9 Nov	+1.7	9.8 Oct§††	+2.6 Q2	+1.9	-3.0	5.79	220	217
Norway	+2.1 Q3	+2.9	+1.7	-5.1 Oct	+2.5 Nov	+2.3	3.4 Sep††	+61.0 Q3	+13.0	+13.0	2.93	6.12	5.65
Poland	+1.9 Q3	na	+1.5	+4.4 Oct	+0.8 Oct	+1.0	13.0 Oct§	-10.0 Sep	-2.1	-4.0	4.47	3.03	3.15
Russia	+1.2 Q3	na	+1.5	-0.2 Oct	+6.5 Nov	+6.4	5.5 Oct§	+40.1 Q3	+2.6	-0.5	7.94	32.8	30.8
Sweden	+0.3 Q3	+0.3	+0.8	-5.0 Oct	-0.1 Oct	+0.1	7.3 Oct§	+34.3 Q3	+6.0	-2.0	2.34	6.55	6.64
Switzerland	+1.9 Q3	+2.1	+1.8	+0.7 Q3	+0.1 Nov	-0.1	3.2 Nov	+76.6 Q2	+12.6	+0.2	1.13	0.89	0.93
Turkey	+4.4 Q3	na	+3.5	-0.5 Oct	+7.3 Nov	+7.6	9.8 Aug§	-60.9 Oct	-7.4	-1.6	9.34	2.04	1.78
Australia	+2.3 Q3	+2.3	+2.5	+2.7 Q3	+2.2 Q3	+2.3	5.8 Nov	-51.3 Q3	-2.6	-2.1	4.24	1.11	0.95
Hong Kong	+2.9 Q3	+2.1	+3.0	+0.3 Q2	+4.3 Oct	+4.3	3.3 Oct††	+5.7 Q2	+2.4	+1.8	2.23	7.75	7.75
India	+4.8 Q3	+16.5	+4.9	+2.0 Sep	+10.1 Oct	+9.8	9.9 2012	-76.9 Q3	-4.0	-5.2	8.83	61.3	54.3
Indonesia	+5.6 Q3	na	+5.6	-3.7 Oct	+8.4 Nov	+7.1	6.3 Q3§	-32.1 Q3	-3.5	-3.3	na	11,990	9,635
Malaysia	+5.0 Q3	na	+4.8	+1.7 Oct	+2.8 Oct	+2.0	3.1 Sep§	+14.2 Q3	+5.0	-4.2	4.03	3.22	3.06
Pakistan	+6.1 2013**	na	+6.1	+12.7 Sep	+10.9 Nov	+7.5	6.2 2013	-4.1 Q3	-0.9	-8.0	13.00†††	107	97.2
Singapore	+5.8 Q3	+1.3	+3.5	+8.0 Oct	+2.0 Oct	+2.4	1.8 Q3	+49.8 Q3	+19.9	+0.7	2.41	1.25	1.22
South Korea	+3.3 Q3	+4.3	+2.8	+3.0 Oct	+0.9 Nov	+1.1	2.7 Nov§	+68.1 Oct	+4.7	+0.7	3.70	1,052	1,077
Taiwan	+1.7 Q3	+1.1	+2.0	+0.8 Oct	+0.7 Nov	+0.9	4.2 Oct	+56.3 Q3	+11.8	-2.3	1.67	29.6	29.1
Thailand	+2.6 Q3	+5.2	+3.0	-4.0 Oct	+1.9 Nov	+2.2	0.7 Sep§	-4.1 Q3	-1.1	-3.1	3.72	32.1	30.6
Argentina	+8.3 Q2	+10.6	+5.1	-0.5 Oct	— ***	—	6.8 Q3§	-1.7 Q2	-0.6	-3.2	na	6.27	4.87
Brazil	+2.2 Q3	-1.9	+2.5	+0.9 Oct	+5.8 Nov	+6.2	5.2 Oct§	-82.2 Oct	-3.6	-2.9	12.83	2.34	2.08
Chile	+4.7 Q3	+5.4	+4.5	+2.1 Oct	+2.4 Nov	+1.8	5.8 Oct§††	-9.5 Q3	-3.6	-1.0	5.10	533	475
Colombia	+4.2 Q2	+8.9	+4.0	-1.6 Sep	+1.8 Nov	+2.1	7.8 Oct§	-12.9 Q2	-3.0	-0.6	6.73	1,935	1,800
Mexico	+1.3 Q3	+3.4	+1.2	-1.6 Sep	+3.6 Nov	+3.7	4.9 Oct	-24.9 Q3	-1.6	-2.6	7.75	12.9	12.8
Venezuela	+1.1 Q3	-0.8	+0.7	+0.8 Sep	+54.3 Oct	+40.9	7.6 Oct§	+6.9 Q3	+0.7	-9.4	na	6.29	4.29
Egypt	+1.5 Q2	na	+2.1	-25.0 Sep	+12.9 Nov	+9.3	13.4 Q3§	-5.6 Q2	-2.3	-13.8	na	6.89	6.15
Israel	+2.4 Q3	+2.2	+3.2	-9.2 Sep	+1.8 Oct	+1.6	5.9 Oct	+4.9 Q2	+1.6	-3.5	3.52	3.50	3.80
Saudi Arabia	+5.1 2012	na	+3.7	na	+3.0 Oct	+3.7	5.5 2012	+137.0 Q2	+18.0	+6.0	na	3.75	3.75
South Africa	+1.8 Q3	+0.7	+1.9	+1.7 Oct	+5.3 Nov	+5.8	24.7 Q3§	-22.1 Q3	-7.0	-4.8	7.87	10.4	8.67 *

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. †New Series. **Year ending June. ††Latest 3 months. †††3-month moving average. §§5-year yield ***Official number not reliable; The State Street PriceStats Inflation Index, October 18.99%; year ago 27.02% †††Dollar-denominated bonds.



Markets

	Index Dec 11th	% change on		
		one week	in local currency	in \$ terms
United States (DJIA)	15,843.5	-0.3	+20.9	+20.9
China (SSEA)	2,307.3	-2.1	-2.9	-0.4
Japan (Nikkei 225)	15,515.1	+0.7	+49.3	+25.9
Britain (FTSE 100)	6,507.7	nil	+10.3	+11.1
Canada (S&P TSX)	13,133.4	-1.3	+5.6	-0.9
Euro area (FTSE Euro 100)	969.4	-1.3	+13.2	+18.4
Euro area (EURO STOXX 50)	2,947.3	-1.5	+11.8	+17.0
Austria (ATX)	2,507.3	-1.3	+4.4	+9.2
Belgium (Bel 20)	2,778.2	-0.4	+12.2	+17.4
France (CAC 40)	4,086.9	-1.5	+12.2	+17.4
Germany (DAX)*	9,077.1	-0.7	+19.2	+24.7
Greece (Athex Comp)	1,197.0	-1.2	+31.8	+37.9
Italy (FTSE/MIB)	17,974.0	-1.9	+10.5	+15.5
Netherlands (AEX)	383.2	-1.3	+11.8	+16.9
Spain (Madrid SE)	953.9	-1.8	+15.7	+21.0
Czech Republic (PX)	978.0	-2.0	-5.8	-9.9
Denmark (OMXC20)	545.2	+0.2	+20.5	+26.0
Hungary (BUX)	18,433.6	-1.4	+1.4	+2.0
Norway (OSEAX)	582.7	-0.5	+18.8	+8.0
Poland (WIG)	52,643.2	-0.4	+10.9	+13.2
Russia (RTS, \$ terms)	1,409.3	+3.3	-1.0	-7.7
Sweden (OMXS30)	1,268.1	-0.9	+14.8	+14.0
Switzerland (SMI)	7,956.3	-1.1	+16.6	+20.5
Turkey (BIST)	73,965.8	+1.2	-5.4	-17.4
Australia (All Ord.)	5,109.5	-3.0	+9.5	-4.7
Hong Kong (Hang Seng)	23,338.2	-1.6	+3.0	+3.0
India (BSE)	21,171.4	+2.2	+9.0	-2.6
Indonesia (JSX)	4,271.7	+0.7	-1.0	-20.5
Malaysia (KLSE)	1,842.8	+1.1	+9.1	+3.7
Pakistan (KSE)	24,972.9	+2.2	+47.7	+34.1
Singapore (STI)	3,060.7	-3.2	-3.4	-5.7
South Korea (KOSPI)	1,978.0	-0.4	-1.0	+0.8
Taiwan (TWI)	8,433.8	+0.2	+9.5	+7.6
Thailand (SET)	1,369.4	-0.5	-1.6	-6.1
Argentina (MERV)	5,186.3	-2.3	+81.7	+42.4
Brazil (BVSP)	50,068.0	-0.3	-17.9	-28.1
Chile (IGPA)	18,248.3	-0.3	-13.4	-22.2
Colombia (IGBC)	13,186.8	+2.3	-10.4	-18.2
Mexico (IPC)	42,304.6	+0.7	-3.2	-3.0
Venezuela (IBC)	2,619,346.0	+1.9	+456	na
Egypt (Case 30)	6,488.7	+3.3	+18.8	+9.8
Israel (TA-100)	1,202.6	-1.3	+14.6	+22.1
Saudi Arabia (Tadawul)	8,399.7	+2.0	+23.5	+23.5
South Africa (JSE AS)	44,436.9	+1.0	+13.2	-7.5

Employment

Employers in 34 of the 42 countries tracked by Manpower, an employment-services firm, plan to increase their workforce in the first quarter of 2014. Taiwan, India and Brazil have some of the most optimistic employers in the world, although the pace of hiring in Brazil has shown the sharpest fall over the past year. The outlook in Europe is mixed. Employers in Spain, Italy and Ireland expect to cut jobs in the next three months (in Ireland this is at odds with growing confidence as the country prepares to leave its international bail-out programme). Employers in Greece are reporting the biggest year-on-year increase in hiring intentions and are now among the most confident in Europe.

Balance of employers expecting an increase or decrease in employment, percentage points



Source: Manpower

Other markets

	Index Dec 11th	% change on		
		one week	in local currency	in \$ terms
United States (S&P 500)	1,782.2	-0.6	+25.0	+25.0
United States (NASComp)	4,003.8	-0.8	+32.6	+32.6
China (SSEB, \$ terms)	253.5	-1.9	+0.9	+3.5
Japan (Topix)	1,250.5	+0.8	+45.4	+22.7
Europe (FTSEurofirst 300)	1,256.3	-1.4	+10.8	+15.9
World, dev'd (MSCI)	1,600.1	-0.3	+19.5	+19.5
Emerging markets (MSCI)	1,002.5	+0.7	-5.0	-5.0
World, all (MSCI)	395.1	-0.2	+16.3	+16.3
World bonds (Citigroup)	916.1	+0.7	-3.0	-3.0
EMBI+ (JPMorgan)	650.4	+1.3	-8.5	-8.5
Hedge funds (HFRX)	1,214.7 [§]	+0.1	+5.8	+5.8
Volatility, US (VIX)	15.4	+14.7	+18.0 (levels)	
CDSS, Eur (iTRAXX) [†]	78.2	-4.7	-30.2	-27.0
CDSS, N Am (CDX) [†]	70.2	-0.7	-25.8	-25.8
Carbon trading (EU ETS) €	4.9	+8.9	-27.5	-24.2

Sources: Markit; Thomson Reuters. *Total return index.

[†]Credit-default-swap spreads, basis points. [§]Dec 10th.

Indicators for more countries and additional series, go to: Economist.com/indicators

The Economist commodity-price index

2005=100

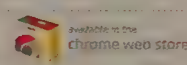
	% change on			
	Dec 3rd	Dec 10th*	one month	one year
Dollar Index				
All items	163.7	165.9	+0.9	-11.7
Food	183.8	184.4	+1.1	-13.7
Industrials				
All	142.9	146.7	+0.7	-8.9
Nfa [†]	157.5	159.1	+0.4	-0.1
Metals	136.7	141.4	+0.9	-12.6
Sterling Index				
All items	181.4	183.7	-2.1	-13.4
Euro Index				
All items	149.8	149.8	-1.5	-16.7
Gold				
\$ per oz	1,223.6	1,261.7	-1.1	-26.1
West Texas Intermediate				
\$ per barrel	96.1	98.5	+5.9	+14.8

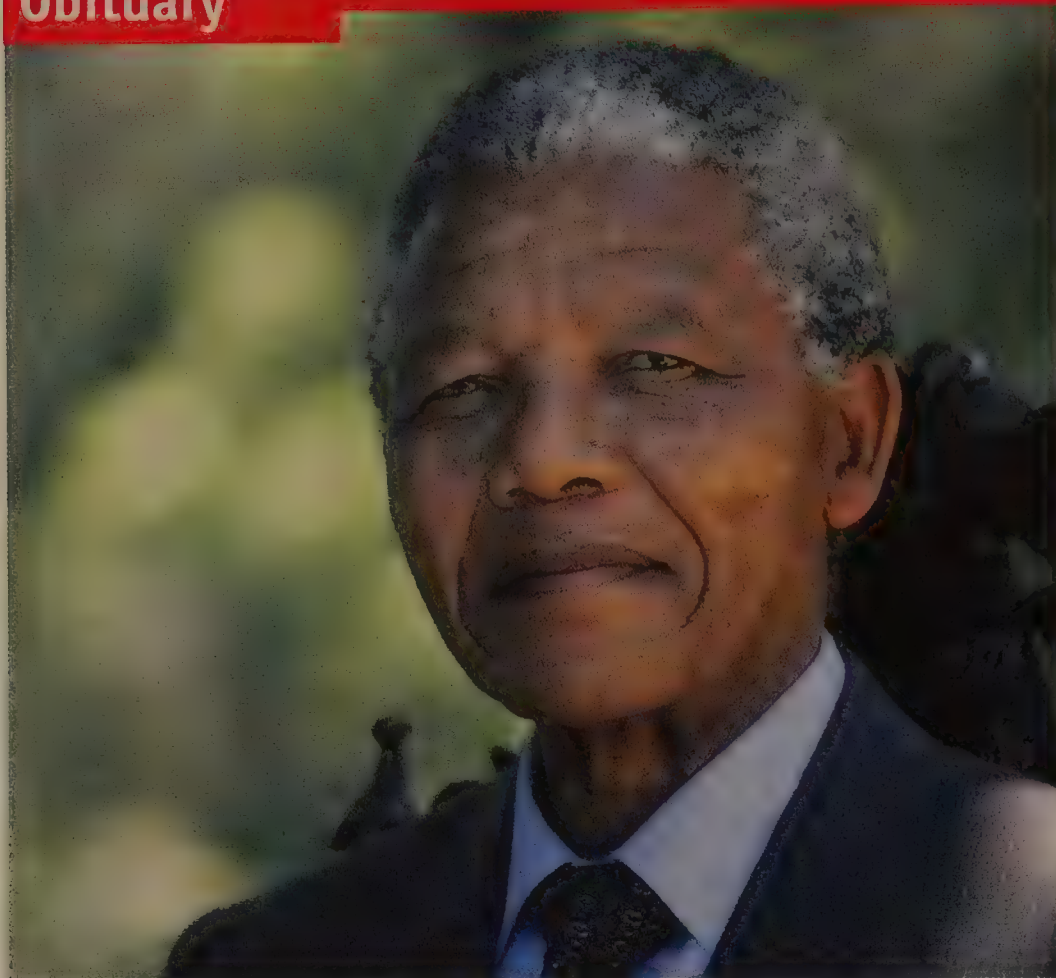
Sources: Bloomberg; CME Group; Cotlook; Darmann & Curl; FT; ICCO; ICO; ISO; Jackson Rice; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional
[†]Non-food agricultural.

Smart technology. Made smarter.

Enjoy *The Economist* at Economist.com or via *The Economist* apps for iPad, iPhone, Android, Chrome, Windows 8 and BlackBerry. Subscribers with digital access can read and listen to the complete weekly issue from 9pm GMT /4pm EST each Thursday.

For more details and to download the app for your device, go to: www.economist.com/digital





Nelson Mandela

Nelson Mandela, the man who freed South Africa from apartheid, died on December 5th, aged 95

WHO was the greatest statesman of the 20th century? Discard the mass murderers such as Joseph Stalin and Mao Zedong; set aside the autocratic nationalists like Gamal Abdel Nasser and the more admirable, but probably less influential, anticommunists like Vaclav Havel; then winnow the list to half a dozen names. On it would perhaps be Mohandas Gandhi, Winston Churchill, Franklin Roosevelt, Charles de Gaulle, Jack Kennedy and Nelson Mandela. For many people, in many lands, the most inspirational of these would be the last.

Mr Mandela's heroic status is a phenomenon. For years his fame was largely confined to his own country, South Africa. He did not become widely known abroad until his first trial, for high treason, ended in 1961. Though acquitted, he remained free for little more than a year before going to prison for 27 years and six months, convicted of sabotage and promoting revolution. During this long confinement, more than 17 years of which were spent on Robben Island, a wind-scorched Alcatraz off the Cape coast, little was heard of Mr Mandela and nothing was seen of him. When he emerged from captivity on February 11th 1990, no contemporary photograph of

him had been published since 1964; the world had been able only to wonder what he looked like.

He was by then 71 years old, and barely ten years of semiactive politics remained to him. Nonetheless, more than any other single being, he helped during that decade to secure a conciliatory and mostly peaceful end to apartheid, one of the great abominations of the age, and an infinitely more hopeful start to a democratic South Africa than even the most quixotic could have imagined 20 years earlier.

A pattern of paradox

That someone who had been in enforced obscurity for so long could exercise such influence suggests a remarkable personality. Personality alone does not, however, fully explain the extent and depth of admiration for the man that had accumulated over the years and that now found expression in outpourings of affection in country after country, whether he was touring Africa, greeting 75,000 fans in a London stadium or sweeping down Broadway in a motorcade festooned by more ticker tape, it was said, than had ever fluttered onto a New York street before.

Mr Mandela was a celebrity, and this is

an age that sets a high value on any kind of fame. When every pop star is "awesome", reality television makes idols out of oafs and "iconic" is so freely applied that it has become meaningless, it would be absurd not to see in the lionisation of Mr Mandela some of the veneration that came to attend Princess Diana: the world needs heroes, or heroines, even more than it needs celebrities. In Mr Mandela, though, the need for a hero was fulfilled by a man who truly deserved the title.

Like most great men, even apparently simple ones, Mr Mandela was complex and often contradictory. He had granite determination: without it, he would have left prison years earlier, just by agreeing to renounce violence or make some other concession. Yet he was by nature a compromiser and a conciliator. In the 1950s he would often argue for restraint against more headstrong colleagues, and throughout most of his life he fought to keep his movement, the African National Congress (ANC), non-racial, though at times he had reservations about Indians and much stronger feelings about whites. When he came to accept the principle of armed struggle, his strategy was not to seize power by force but rather to make the government negotiate. And when, in turn, the government eventually yielded, Mr Mandela showed neither bitterness nor vindictiveness, but an astonishing capacity for forgiveness and conciliation.

He was a guerrilla, the commander-in-chief of the ANC's armed wing, Umkhonto we Sizwe, which, as the "Spear of the Nation", was supposed—however implausibly—to lead an armed insurgency, organise an invasion by sea and bring the government to its knees. It was this commitment to armed struggle that made Margaret Thatcher shun the ANC and dismiss it as "a typical terrorist organisation". But that was always too simple a view. Chief Albert Luthuli, the president of the ANC from 1952 to 1967, though not a pacifist, was a staunch believer in non-violent resistance, as at the outset was Mr Mandela.

Mr Mandela changed his mind only reluctantly, insisting at first on sabotage that would involve no casualties (liberation without bloodshed) rather than direct attacks on people. When he did come round to guerrilla warfare, it was partly because he concluded that the government's increasing repression left no other way to bring about change ("The attacks of the wild beast cannot be averted with only bare hands"), partly because he feared that the ANC would lose out to more militant rivals, notably the exclusively black Pan Africanist Congress.

.....
We managed to get a version of this obituary into our digital editions last week; our apologies to those readers who have read it before.

His views about communism were less evolutionary. In the 1950s he had pictures of Lenin and Stalin on the walls of his home in the Johannesburg township of Orlando. He was influenced by Marx and made common cause with the Communist Party of South Africa; his writings then were full of sub-Marxist drivel. And he continued to the end to hold in deep affection such people as Joe Slovo, the chairman of the party, who was to him "dear comrade, dear brother, dear friend", but to his opponents "the KGB general".

Mr Mandela insisted he was not a communist, though. He saw the ANC's bond with the communists not just as a link with the only group that would treat Africans as equals, but as a natural alliance with his enemies' enemy. He showed no desire for Soviet models, often speaking admiringly of British institutions, even to the point of calling the British Parliament "the most democratic institution in the world". Moreover, he was consistent both in the 1950s, when the ANC was debating its objectives, and 20 years later, when the aims of the "liberation movement" were under discussion, in holding that the movement's great statement of principles, the Freedom Charter adopted in 1956, was not a commitment to socialism but rather "a step towards bourgeois democracy".

A more blatant conflict of principles and practice could be seen at the end of Mr Mandela's life in his attitude to countries like Cuba, Libya and China. For years he had fought to place human rights at the centre of the ANC's political philosophy, and as president he even sought to define his country's national interest to include "the happiness of others". With characteristic courage, he openly criticised Sani Abacha, a brutal and egregiously corrupt dictator of Nigeria. But when one Chinese human-rights activist asked him in 1991 to help Chinese dissidents, he replied that while the West had ignored him until his success was all but certain, China's leaders had supported him financially and morally from the beginning. He was not about to work against them; just as he would not condemn Fidel Castro or Muammar Qaddafi, who had long supported the anti-apartheid cause.

Here was a straightforward clash of principles, in which one triumphed. "To change Mandela's mind about a friend is virtually impossible," said Ahmed Kathrada, one of the seven others sentenced to life imprisonment with him in 1964. Other apparently out-of-character actions were more easily explained by Mr Mandela's adaptability, which may have been forced upon him by his separation from his family as a child. At first he was looked after mainly by his mother and then, after the age of ten, when his father died, by the regent of the Thembu, one of a dozen Xhosa-speaking groups, who accepted him as a

ward. If this disturbed upbringing bred a capacity for accommodating to events, it often served him well, but it sometimes made his behaviour hard to predict.

Mr Mandela was, for example, a patrician, almost aloof young man. Some of his colleagues considered him remote, even authoritarian, with a strong sense of proper behaviour. But that did not mean he was conservative or socially stuck in the mud. It was Mr Mandela who, to the dismay of some of his fellow prisoners, was prepared to regard tolerantly the angry young members of the Black Consciousness Movement when they started arriving on Robben Island in the mid-1970s,



A proper young man

preaching a gospel of black exclusiveness. Later, when the townships were in turmoil, he was to be consistently conciliatory towards the discontented young.

Some of his own children might not have agreed, or perhaps they would have said that his efforts to understand other people's children were an acknowledgment of his failures with his own. For the contradictions and paradoxes in his views and politics were matched in his character, and nowhere was this more evident than in his relations with his family.

Trouble and strife

His first son, Thembi, had become estranged from his father several years before his death in a car crash in 1969 (a daughter had died at nine months in 1948). Thembi had sided with his mother, Evelyn, when Mr Mandela divorced her in 1958 after a marriage of 14 fairly unhappy years. His brother, Makgatho, failed to live up to his father's expectations and moved away; he died of AIDS in 2005. Maki, Evelyn's surviving daughter, remained on better terms but also felt neglected.

Matrimony proved just as difficult as fa-

therhood. At the age of 22 he had run away to Johannesburg to escape a marriage arranged for him by his guardian, the Thembu regent. Three years later, in 1944, he would marry Evelyn, a nurse, and the first cousin of his lifelong friend Walter Sisulu. She bore him four children, but was drawn more to religion than politics, and politics was by then his all-absorbing concern. Winnie, his second wife, whom he married in 1958, came to share his political cause, but from the first realised that "he belongs to them", the public. This was a complaint of the children too, as Mr Mandela himself confessed. He was, one told him, "a father to all our people, but you have never had time to be a father to me."

Despite his devotion to the courageous Winnie—in his 1994 autobiography, he would publish for the first time some of the poignant letters he had written to her from Robben Island—the second marriage also failed. Winnie suffered almost all the blows that apartheid had in its arsenal: banishment, imprisonment, remorseless harassment. But suffering did not ennoble her: just the opposite, and in the end she did her utmost to humiliate her husband. He was wounded, but also guilt-ridden, conscious of his failings with his family. Not until he married a wary Graca Machel, widow of Mozambique's first president, on his 80th birthday did Mr Mandela find enduring wedded fulfilment.

In love, at least, the private man was the very opposite of the public. Mr Mandela inspired affection among millions he had never met and, among those he had, few failed to remark on his extraordinary ability to empathise and in return command respect. Most striking among these, perhaps, were his political opponents, especially Afrikaners, the descendants mainly of the country's early Dutch settlers.

One of the first was P.J. Bosch, the prosecutor at his 1962 trial (for leaving the country illegally and incitement to strike), who before his sentencing asked to see him alone, shook his hand and wished him well. That was not exceptional. Throughout his career, he would be sharing his food with his police escort (after arrest in 1962), helping warders with their essays (also 1962), and earning the respect of their Robben Island counterparts by speaking to them in Afrikaans, which he studied assiduously. Later, summoned from prison to take tea with President P.W. Botha, he would show that he could charm even one whose defence of white supremacy had earned him the name of "the crocodile". And then, when he was at last released, came the grand gestures of reconciliation: the honouring of the Boer-war guerrilla, Daniel Theron, as an Afrikaner freedom-fighter; the donning of a Springbok rugby shirt, hitherto a symbol to blacks chiefly of white nationalism; and the visit to Betsie Verwoerd, widow of Hendrik, the uncon-

▶ promising architect of apartheid.

Some manifestations of empathy were harder for him to make. When he came out of jail the subject of sex was awkward for him. Whether that was because he had been behind bars for most of the 1960s sexual revolution, or because the many years of isolation had made him unused to female company, or because some element of reserve had remained in his character since childhood, is not clear. But he plainly found it difficult to overcome, most seriously, by his own admission, in his reluctance as president to take up the issue of AIDS. Eventually, he did so, however, openly siding in 2002 with the campaigners who were fighting for wider provision of drugs in the face of President Thabo Mbeki's cranky resistance. A lesser man might have chosen to stay silent.

Modesty, humility, vanity

Mr Mandela startled ANC colleagues when, at 33, he announced that he looked forward to becoming South Africa's first black president. Yet he did not expect rewards; even when he was a figure of world renown he was modest, and seldom took his authority for granted. Time and again in jail he would refuse privileges if they were offered to him but not to other prisoners. He complained, for instance, about having to wear shorts, one of the ways in which the government humiliated and emasculated black prisoners, but rejected the long trousers he was then given—until two years later, when the authorities agreed to let his colleagues wear them too.

He was proud, it is true, to be a member of a royal family, as a descendant of Ngunibengcuka, one of the Thembu kings from whom he took the traditional name, Madiba. Yet he disdained to behave like some African "big men", always being embarrassed on Robben Island that he received more visits than other prisoners, one of whom saw only three visitors in 15 years. As a free man in the 1990s, he chose to live in suburban comfort rather than palatial luxury in Johannesburg, and in the holidays returned to Qunu, where he had spent the happiest days of his childhood, to build a house based on the design of his quarters in the Victor Verster prison that had held him during his final years of captivity. He encouraged no cult of personality. Grandiose museums, reverential monuments and statues were alien to him.

But flash suits, white silk scarves and a physical-fitness regimen at least partly designed to maintain a boxer's muscular physique were not. He was no stranger to vanity, and would make good use of his appearance. In his youth, his looks and smart suits had done him no harm among female admirers. He was then considered more at ease with women than with men. Later, when he donned a *kaross*, a traditional Xhosa leopard-skin cloak, to appear

in court, he knew it would "emphasise the symbolism that I was a black African walking into a white man's court". This proved electrifying.

It suited the ANC to make a messiah, and if necessary a myth, out of Mr Mandela, first to galvanise the masses at home, then to keep spirits up during the long years of repression, military impotence and political hopelessness. It could have ended badly. The mythical figure whose defiance so captured the public imagination—Prisoner 46664 on Robben Island—could have turned out to be a broken man or a paper hero. Instead, he proved to be a remarkably effective politician.

Mr Mandela made political mistakes. The decision to abandon non-violence lost the ANC some support abroad, put no real military pressure on the government and, most seriously, diverted the movement's energies from the task of organisation at home, which was essential if strikes, boycotts and civil disobedience were to be effective. Mr Mandela, who had set so much store by strengthening the ANC, a small and weak organisation when he joined it, might have foreseen that.

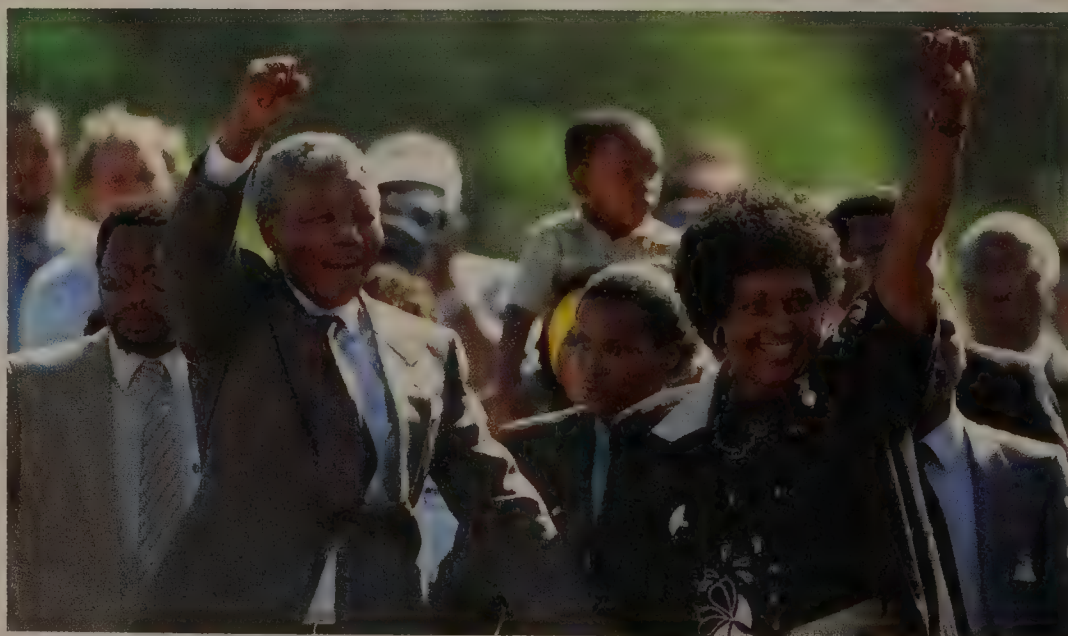
But without him the transition to majority rule would almost certainly have been a bloody shambles. First, he decided in 1985 to ask for a meeting with the minister of justice, Kobie Coetsee, who had become interested in his case. Mr Mandela did this without telling his colleagues, let alone seeking their approval, since he knew it would not have been given. But, as he later explained, "There are times when a leader must move ahead of his flock." He then played a vital role in ensuring compromise during the negotiations that preceded the constitutional settlement of 1993-94 and the election that followed.

He alone could sway opinion for or against the acceptance of agreements, which was crucial in the case of the constitution, greeted by many ANC supporters

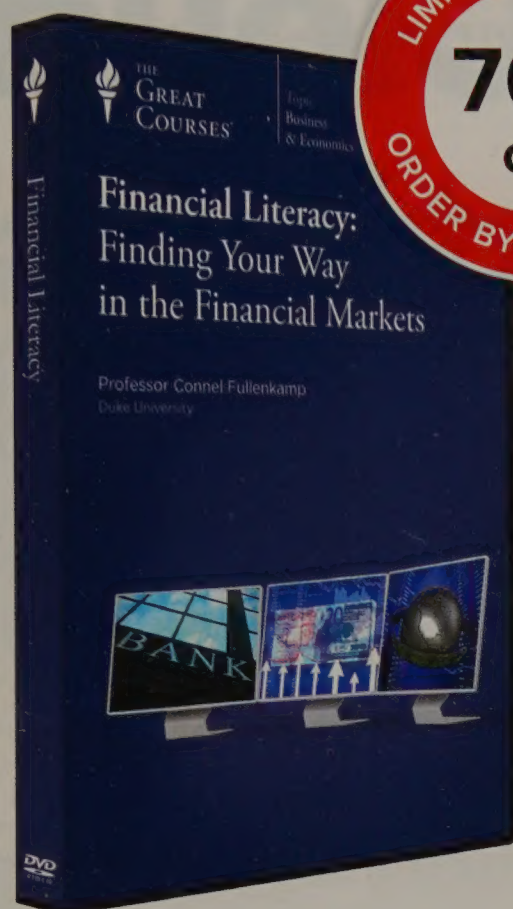
with disappointment. He alone could assuage the fury of the crowds after Chris Hani, a popular ANC hero, was murdered by a right-wing Pole; he pointed out that an Afrikaner had actually helped to catch the killer. He was also central in securing the support of General Constand Viljoen and thus the Afrikaner far right. Later he was equally influential in the creation of the Truth and Reconciliation Commission, when a different man who had been through the same experiences might have been calling for war-crimes tribunals.

Mr Mandela did not single-handedly end apartheid. The collapse of communism, yoked to African nationalism by white opponents, played a part; so did international sanctions, domestic economic pressures, non-ANC internal resistance and the person of F. W. de Klerk, president from 1989 to 1994, whom Mr Mandela did not treat altogether well. But Mr Mandela's symbolic role was hard to exaggerate.

His greater achievement was to see the need for reconciliation, to forswear retribution and then to act as midwife to a new, democratic South Africa, built on the rule of law. This was something only he could do. He gave hope to millions of Africans and inspired millions of others elsewhere, but if his successors in government have been less admirable, and if his example has not been followed in countries like Zimbabwe, that should not be surprising. Heroic though he was, he did not have the messianic powers some attributed to him, nor could others be expected to match his capacity to hold high principles, to live by them and to use his moral stature to such effect. Circumstances, after all, could hardly suit everyone so well. Hard though much of his life had been, Mr Mandela lived long enough to see his work through. That gave him his great achievement, and his story a happy ending. And the modern world loves a happy hero even more than a tragic one. ■



With Winnie, free at last



Financial Literacy: Finding Your Way in the Financial Markets

Taught by Professor Connel Fullenkamp
DUKE UNIVERSITY

LECTURE TITLES

1. Feeling at Home in the Financial Markets
2. Where the Money Goes
3. Financial Markets Run on Information
4. Giving Credit Where Credit Is Due
5. The Fine Print
6. What Is Special about Banks?
7. Billion-Dollar IOUs—Using Bonds to Borrow
8. The Double Identity of Stocks
9. The Sell Job
10. The Mysterious Money Market
11. Think Globally, Lend ... Globally
12. Trading Securities
13. Returns and Prices in the Secondary Market
14. The Truth about Pricing
15. A Tale of Two Funds
16. The Market for Corporate Control
17. What Companies Tell the Markets
18. What Moves the Markets
19. When Central Banks Talk, Markets Listen
20. Interest Rates as Indicators
21. Risk Management and Insurance
22. Mortgages and Securitization
23. The Whys and Hows of Financial Regulation
24. The Future of Finance

Financial Literacy:
Finding Your Way in the Financial Markets
Course no. 58311 24 lectures (30 minutes/lecture)

SAVE UP TO \$185

DVD ~~\$254.95~~ **NOW \$69.95**
CD ~~\$179.95~~ **NOW \$49.95**

+\$10 Shipping, Processing, and Lifetime Satisfaction Guarantee
Priority Code: 77182

Designed to meet the demand for lifelong learning, The Great Courses is a highly popular series of audio and video lectures led by top professors and experts. Each of our nearly 500 courses is an intellectually engaging experience that will change how you think about the world. Since 1990, over 14 million courses have been sold.

Demystify the Financial Markets

The financial markets create tremendous opportunities that, for many of us, would otherwise be out of reach. A new home. Your child's college education. Retirement. Without the ability to borrow and invest, life as we know it simply wouldn't exist.

Financial Literacy: Finding Your Way in the Financial Markets is an essential primer on this domain, from its functions, strengths, and possibilities to its weaknesses and vulnerabilities. In 24 eye-opening lectures, award-winning Professor Connel Fullenkamp of Duke University reveals the interconnected workings of the financial markets and how society's financial strength—and your own—depend on money continuing to move through these channels. You'll come to understand just how interdependent the world's markets have become; feel newly at ease in the realm of stocks, bonds, derivatives, and credit; and be better able to make informed decisions for your financial future.

Offer expires 12/30/13

1-800-832-2412

WWW.THEGREATCOURSES.COM/6ECON

Oracle **Cloud** Applications

HCM

Human Capital

Recruiting

Talent

CRM

Sales

Service

Marketing

ERP

Financials

Procurement

Projects

Supply Chain

More Enterprise **SaaS** Applications
Than Any Other **Cloud** Services Provider

ORACLE®

A SUBSCRIPTION TO *THE ECONOMIST* IS A GIFT TO LOOK FORWARD TO ALL YEAR LONG.

CHOOSE FROM 3 SUBSCRIPTION OPTIONS - PRINT, DIGITAL OR BOTH.

A

BEST VALUE!



Print + Digital subscription

\$109⁵¹ ISSUES

- *The Economist* magazine delivered to your door every week.
- Full access to Economist.com and *The Economist* in audio.
- Full access to each week's issue via *The Economist* apps for iPhone, iPad, Android and BlackBerry PlayBook, available every Thursday by 4pm EST.
- Special Issue: *The World in 2014*.

B

Print subscription

\$99⁵¹ ISSUES



- *The Economist* magazine delivered to your door every week.
- Special Issue: *The World in 2014*.

C

Digital subscription

\$99⁵¹ ISSUES



- Full access to each week's issue via *The Economist* apps for iPhone, iPad, Android and BlackBerry PlayBook.
- Available every Thursday by 4pm EST - before newsstand copies.
- Full access to Economist.com and *The Economist* in audio.

Use the order card on front to order gift subscriptions.
For fastest service, order online: www.economist.com/holidays4/us

FOLLOW US!



THE WORLD AT YOUR FINGERTIPS.

OUR GIFT TO YOU

Leather travel wallet - our gift to you
with one or more gift subscriptions.

Use the order card on front
to order gift subscriptions.
Or for fastest service, order online:
www.economist.com/holidays4/us

FOLLOW US!

